

FINANCIAL TIMES

Europe's Business Newspaper

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Japan's GDP edges up but sentiment remains pessimistic

Japan's economy defied expectations by growing 0.5 per cent in the third quarter, lifting gross domestic product by an annualised 2 per cent, the Economic Planning Agency said. The figure contrasts sharply with the gloomy mood among Japanese companies reflected in the Bank of Japan's quarterly survey published yesterday. Page 28; Jobs hold key to Japan's recovery, Page 3

Freed Britons reunited with families

Paul Ride, one of three Britons freed from an Iraqi jail, was reunited with his two-year-old son William (above) and his wife, Julie, in Amman. Mr Ride, Michael Wainwright and Simon Dunn were released after former British prime minister Sir Edward Heath intervened with Iraqi president Saddam Hussein.

Ministers to work on Gatt accord: A special meeting of trade ministers from the US, Japan, Canada and the European Union in Geneva this weekend will try to resolve disagreements over the Uruguay round of international trade reform. Page 26; Leaders struggle to unite behind trade pact, Page 2; Clash over US tax defused, Page 3

UK trade gap widens: A sharp rise in Britain's trade gap with the rest of the world has revived worries that imports might increase markedly as the domestic economy recovers. Page 8

Russian radicals seek rivals' aid: Radical reform bloc Russia's choice, which backs the Moscow government, urged rival democratic parties to help it fend off neo-fascist leader Vladimir Zhirinovskiy in the run-up to Sunday's parliamentary election. Page 4; Different branches of the same tree, Page 10

Welsh Water announced a 3 per cent increase in interim pre-tax profits to £77.3m on sales 41 per cent higher and lifted its dividend by 8.3 per cent. Page 12; Lex, Page 26

Branson in no-profit bid for lottery: Virgin Atlantic chairman Richard Branson is to launch a bid to run Britain's national lottery on a non-profit making basis. Page 8

Maxwell ruled a fraudster: A High Court judge ruled that British publisher Robert Maxwell, who died in 1991, misappropriated pension-fund assets and fraudulently dealt in a company's shares. Page 9

UK settles Australian nuclear dispute: Britain is to pay Australia £20m to settle their dispute over the clean-up of former British nuclear test sites in the South Australian desert.

Budget reaction pushes Footsie ahead

The FT-SE 100 index gained 4.8 per cent over the two-week trading account on the London Stock Exchange, helped by positive reaction to the UK Budget. This week the Footsie extended its gain by a further 27.1 points on hopes of cuts in interest rates across Europe. At the close last night, the index showed a net loss on the day of 10.3 at 3,261.3. Page 17; Lex, Page 26; Markets, Weekend II

Kim Campbell to quit leadership: Former Canadian prime minister Kim Campbell, who led the Conservative party to a crushing election defeat in October, is to resign the party leadership, Conservative officials said.

Tunnel radio: Channel tunnel operator Eurotunnel has been awarded a commercial radio licence to broadcast travel news and music along the M20 motorway in Kent. Page 6

| STOCK MARKET INDICES | | STERLING | |
|----------------------|------------------|----------------|-------|
| FT-SE 100 | 3,261.3 (+10.3) | New York Jones | 1,498 |
| Yield | 3.82 | London | 1.498 |
| FT-SE 100 | 1,415.61 (+1.05) | London | 1.498 |
| FT-SE 100 | 1,415.61 (+1.05) | London | 1.498 |
| FT-SE 100 | 1,415.61 (+1.05) | London | 1.498 |
| FT-SE 100 | 1,415.61 (+1.05) | London | 1.498 |
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Obstacles remain as Major and Reynolds seek springboard for lasting Ulster settlement

Timing of peace statement in balance

By Philip Stephens,
Political Editor, in Brussels

The British and Irish governments yesterday held on to the prospect of a joint declaration designed to secure a pre-Christmas end to 25 years of IRA violence in Northern Ireland. But after a fresh round of talks between Mr John Major and Mr Albert Reynolds, the two leaders were forced to acknowledge there were several remaining obstacles to an agreement which would usher in a new era in Anglo-Irish relations.

Despite these difficulties, the two leaders hope to meet again in London before Christmas to pursue an agreement. During talks at the European Union meeting in Brussels, the British and Irish prime ministers agreed the statement should act as a springboard for an intensive round of negotiations on a permanent political settlement in Northern Ireland. More immediately they hope it will coax the IRA, through its political wing Sinn Féin, into extending its trar-

ditional Christmas ceasefire into a permanent cessation of violence. Officials on both sides, however, admitted the two governments had yet to find the precise language for the most sensitive passages in the document. They also remained uncertain that the first attempt since the 1985 Anglo-Irish agreement to balance the competing claims of Irish nationalism and Ulster unionism could restore peace. After an hour-long meeting the two leaders issued a brief joint

statement saying they had made further progress towards agreement on the text of the declaration. They would meet again before Christmas to bring the process to a conclusion. With Mr Major anxious to secure an accord before parliament breaks on Friday for the Christmas recess, one high-ranking British official commented: "I very much hope we get there. I cannot guarantee that we will get there." He then added: "There is still some way to go."

The two governments will attempt to iron out the remaining differences during intensive contacts over the next few days, opening the possibility of a final summit meeting in London on Tuesday or Wednesday. Anxious to reassure the Ulster Unionists, British officials said the declaration would underwrite its guarantee to the Unionist majority in Northern Ireland that there could be no change in the status of the province without their consent. Mr Major had also won assurances from Mr Reynolds of the

Irish government's commitment to drop its constitutional claim to Northern Ireland as part of a comprehensive political settlement. The joint declaration will repeat the offer to Sinn Féin of a place at the negotiating table in response to a total cessation of terrorist activities. There were signs, however, of continuing disagreement over Dublin's demand for an all-Ireland convention open to all constitutional parties from the North and South.

Government heads endorse Delors plan to tackle recession and unemployment

European workers face real wage cuts

By Lionel Barber, David Gardner
and David Marsh in Brussels

European leaders yesterday endorsed tough measures to cut real wages as a means of strengthening competitiveness and steering Europe out of recession. At the end of the first day of the Brussels summit, the EU heads of governments appeared poised to adopt the white paper on jobs and growth prepared by Mr Jacques Delors, president of the European Commission, as an "action plan".

The message of the summit was that getting out of Europe's worst recession since 1975 would mean millions of workers will be forced to accept pay cuts to hold on to their jobs.

Outside, thousands of trade unionists marched to protest against the Belgian government's plans to cut social security and freeze real wages.

Although the summit was dominated by the jobs crisis, in the margins tense talks took place aimed at settling objections over the cost to French agriculture and Portuguese textiles of a world trade deal.

Heads of government - including Mr John Major, the UK prime minister - praised Mr Delors' job-creating prescriptions, including



Belgian steel workers march through Brussels in a protest against unemployment planned to coincide with the European Community summit.

more flexible labour markets, while recognising that there are no miracle cures for unemployment.

French president François Mitterrand described the white paper as a "charter for what is possible" which would "relaunch Europe".

But leaders stopped short of supporting Mr Delors' proposal for the Union to borrow large sums on the international capital markets to help fund road, rail, energy, environmental and advanced telecommunications projects.

There was broad support for Mr Delors' plan to improve Europe's infrastructure as a means of strengthening its competitiveness and ensuring that when growth resumes it will bring higher employment. Anglo-German opposition surfaced towards the European Commission's proposal to issue "union bonds" to boost available EU funding for such project from £20bn to £25bn (£14bn to £15.24bn) a year to the end of the century. The borrowing plan is expected to be handed to EU finance

ministers for further study. Last night heads of government were expected to focus on the delicate question of how to take more land out of production because of Gatt. This could be very costly if Brussels has under-estimated agricultural output over the next six years. In that event, keeping within Gatt limits on subsidised food exports would require the EU to cut farm prices further and pay large amounts of compensation.

Background, Page 2
Quad ministers meet, Page 26

Customs to play Scrooge over VAT rebates

By Andrew Jack

HM Customs & Excise will be playing Scrooge at companies' Christmas parties this year after an over-zealous attempt by an accountancy firm to claim back value added tax from their festive celebrations.

Companies will now only be able to receive back up to half of the VAT on parties for their staff, according to a technical briefing issued by Customs. "In the past all VAT charged on employee entertainment costs was recoverable," said Mr Tony McClenaghan, a partner with accountants Touche Ross. "This is bad news for businesses and employees as it pushes up the cost of Christmas parties."

Customs' attention was drawn to VAT rebates on entertainment earlier this year when tax partners in the Birmingham office of accountants KPMG Peat Marwick decided to fight for more money.

They appealed against the Customs' rule that companies could only reclaim VAT on expenses incurred on their employees at

Names could face call for £8bn from Lloyd's, says survey

By Richard Lapper

Lloyd's Names may face demands for up to £8.65bn from the insurance market over the next 10 to 20 years, according to unofficial estimates released yesterday.

Chatset, the research company, warned that Lloyd's could need the money to meet escalating claims from pollution, asbestos and other court awards in the US.

The figure compares with an estimate of £5bn made by Chatset last year. Mr Charles Sturge, co-editor, said some of the rise was due to the strength of US dollar during 1992. It also follows an increase last year in notifications of possible claims.

Chatset investigated more than 200 Lloyd's syndicates which have been unable to close years of accounts because of uncertainty over future claims. The fresh money would be needed to build up reserves and comes on top of an estimated £6.5bn of losses suffered by Lloyd's since 1988.

Lloyd's reserves for liability business have "been woefully inadequate", Chatset said in its report. "Lloyd's does set mini-

mum requirements for reserves but history has proved these to be a joke."

Lloyd's yesterday questioned the basis on which Chatset reached its figures. "You have to second-guess American juries trying to make forecasts like this," said a spokesman. The insurance market has begun detailed work on its exposure to US liability policies underwritten in 1986 and earlier which it aims to transfer to NewCo, a new reinsurance company early in 1994.

It is also possible some claims could be reduced by "commutation", which involves case-by-case negotiation with policyholders, said Lloyd's.

Nevertheless the figures will cause consternation among Names - whose assets have traditionally supported the market - especially those on syndicates which have specialised in long-tail liability business, in which claims can occur years after policies have been underwritten.

The accuracy of Chatset's figures has been challenged by Lloyd's in the past. However their forecasts have sometimes proved more accurate than those of the insurance market.

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FT writers report on the first day of the European Union leaders' meeting in Brussels

Major blows hot and cold on growth plan

On second thoughts, it's not so bad, PM decides. Philip Stephens reports

It was a different audience. So Mr John Major adopted a different tone. After three days of pouring public scorn on Mr Jacques Delors' prescription for faster economic growth and lower unemployment, the prime minister remembered that Britain is supposed these days to be at the heart of Europe.

Mr Major did not retreat from his central objection to Mr Delors' plan to raise an extra Ecu40bn (£30.5bn) over the next five years to finance new trans-European communications networks. There were economic and political objections.

The so-called Union Bonds would transfer important new spending power to the European Commission. Britain would object to that at the best of times, but it was particularly

illogical - in fact "absurd" - at a time when all EU governments were engaged in a struggle to reduce national fiscal deficits.

Mr Major repeated his government's irritation at the decision of the Belgian presidency and the Commission to exclude finance ministers from the substantive deliberations on the Growth, Competitiveness and Employment White Paper.

He also tilted at the occasional windmill, condemning the "defeatist fallacy" - that there was a fixed amount of work - said to be behind proposals for an expansion of work-sharing. It appeared not to matter that no-one, least of all Mr Delors,

had ever suggested anything of the sort.

But Mr Major's contribution to yesterday's debate on the report's conclusions had, on the advice of his officials, been stripped of the bad-tempered hyperbole of previous ministerial pronouncements.

Facing an audience of fellow European leaders rather than one of awkward Conservative party Eurosceptics, he declared the cup that had been judged at the beginning of the week to be more than half-empty to be all of a sudden more than half-full.

The volte-face of course could have had nothing to do with the fact that

every other government around the Brussels table - including the Germans and the Dutch - had decided to give most of Mr Delors' proposals a fair wind.

Reflecting the general view in the Treasury that the final version of the White Paper had taken on board many of the liberal ideas promoted by Britain, Mr Major praised the emphasis on competitiveness, labour market flexibility, and supply-side economic reforms.

A paper which only hours before had been publicly ridiculed was discovered, in Mr Major's words, to "have some very good elements in it". It recognised that there were no

"miracle cures" for unemployment. It rejected protectionism, accepted the need to remove obstacles to employment, and reaffirmed the limits on the Community's own resources spending.

It was only then that the prime minister came on to the problems. There was no need, he insisted, for the issue of Union Bonds when the European Investment Bank had used only half of the increased resources granted to it at last year's Edinburgh summit. Trans-European networks should also be private-sector-driven rather than mapped out by officials in Brussels. He told fellow heads of state: "The key action is to

use the large resources already agreed; not to invent new instruments."

By the time the summit closes, tomorrow Mr Major fully expects to be able to claim a victory on the issue. Even if Chancellor Helmut Kohl was loath to attack Mr Delors in public, his government has deep-rooted objections to such off-balance-sheet borrowing. The idea will be remitted to finance ministers for further study.

But the victory will not be without its price. British diplomacy in Europe this week has lurched from a full-frontal attack to a begrudging partial retreat. Neither would have been necessary if Mr Major had adopted the constructive if sceptical approach of his partners.

SUMMIT DIARY

Ill omen from the pitch for Belgians

By Andrew Hill

There was a shadow cast yesterday's Brussels summit. It wasn't the war in former Yugoslavia, the possibility of a last-minute hitch in the Gatt talks, or even the spectre of millions of unemployed Europeans: it was the shock defeat of Belgium's top soccer club, Anderlecht, by Werder Bremen of Germany. Wednesday night's European champions' cup-tie, Brussels-based Anderlecht led 40 minutes half an hour - and yet the Germans managed to score five goals in the final 20 minutes to win the match.

At the summit, the early play went in favour of the Belgians - captained by premier and football fan Mr Jean-Luc Dehaene, who was chairing the meeting. Fellow summiters bowed to the probing forward runs of Mr Dehaene and Mr Jacques Delors, another soccer enthusiast, as they deftly outlined plans to promote European growth, competitiveness and employment. The Belgians' fear, of course, is that before the match finishes today, the Germans and British may emulate Bremen's remarkable comeback with some sharp counter-attacks on the growth plans in the meeting's final communiqué.

After the Lord Mayor's Show comes the much-anticipated, ministers, diplomats and journalists are bracing themselves for a nightmare on Monday when the Belgian presidency has committed itself to hold five simultaneous ministerial meetings in the overcrowded Charlemagne building in Brussels. Many of them charged with clearing up issues unresolved by EU leaders. Some of the coincidences are fortuitous - with a Gatt deal in the offing, it's as well that foreign, trade and agriculture ministers will be close to one another - but nobody seems to know where finance, health and environment ministers will find room to discuss the state of their particular part of the European Union.

At least hangers-on at the ministerial meetings have the sun-seeking, island-hopping, ozone-drinking Greek presidency of the European Union to look forward to. It begins on January 1 and after the drizzly Belgian presidency should be a welcome New Year tonic. Mr Theodoros Pangalos, the Greek foreign minister, did his bit to raise summit-goers' spirits yesterday by making the case for at least three special Greek weekend breaks on top of the scheduled summit of EU leaders in Corfu next June. Book early to avoid disappointment.

More demonstrations to mark yesterday's meeting and an additional traffic headache in Brussels police. At one point, police were predicting the chaotic near-coincidence in Brussels of 25,000 Belgian socialist union members, protesting against their government's austerity plans, 800 striking teachers, 300 torch-carrying European miners, 400 young Euro-fascists, and thousands of nationalists mourning the death of a colleague. Nothing colourless enough, however, to satisfy Sir John Kerr, Britain's top EU diplomat, who lamented that Brussels demos were always characterised by "too many farmers and not enough French film stars".

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Delors borrowing plan meets cool reception

By David Marsh

Mr Jacques Delors' idea of pulling Europe out of recession with large borrowings to finance infrastructure projects yesterday turned out to have the firepower of a damp squib. If Mr Delors banked on heads of government giving his financing plan the go-ahead before it had been properly examined by their finance ministers, then the gamble clearly failed.

He seems to have underestimated the desire of many governments to show the financial markets that they are exercising the utmost fiscal rectitude in reducing their big budget deficits.

Mr Delors' borrowing proposals were yesterday backed by France, Denmark, Spain and Portugal, but Germany, the Netherlands and the UK all voiced objections. Italy - which is making an exceptional effort to promote budgetary rigour after decades of overspending - offered less than wholehearted endorsement of the financing plan, even though an Italian spokesman gave the overall White Paper an effusive welcome.

Britain's well-advertised opposition to the plan for extra borrowing was if anything toned down.

In view of Germany's political and financial weight, of far

greater importance than Mr Major's reaction was the German move to cast doubt on the EU borrowing plan.

At the opening session of the summit, Chancellor Helmut Kohl was careful not to reject outright the idea of extra borrowing for "trans-European networks" - above all, transport and energy projects. He did, however, voice doubts about the suggested mechanism under which the EU would issue Ecu7bn (£5.3bn) a year in "Union Bonds".

Mr Kohl suggested that the EU's financing arm, the European Investment Bank, should at first complete the programme of Ecu8bn of extra lending agreed in December 1992 and June this year. Only about Ecu4bn of this has so far been committed.

Using words almost identical to Mr Major's, Mr Kohl offered polite criticism that Mr Delors had published his proposals only two days before the summit, giving ministers inadequate time to study them.

Mr Dieter Vogel, the German government spokesman, said Bonn showed "concern" about plans to make extra demands on already tight credit markets when governments throughout Europe were trying to rein back borrowing. This was not the time to give the European Commission extra responsibility

in borrowing, he said, especially when the EIB had more "technical competence" in such matters.

Bonn officials made clear their anxiety that large-scale borrowing by the EU for pan-European projects was a way of channeling individual governments' fund-raising outside normal budgetary channels.

The German reservations were echoed by the Netherlands, the only country apart from Germany to maintain full-scale "hard currency" status after the August collapse of the narrow-band ERM. Mr Ruud Lubbers, prime minister, spoke in favour of continuing to channel EU infrastructure lending through the EIB.

Mr Pieter Dankert, state secretary of the Dutch Foreign Ministry, said his government was "open-minded" about borrowing for transport and energy projects. But he said EU fundraising on its own account would be acceptable only if borrowing by national governments were reduced by an equivalent amount.

If met, Mr Dankert's condition would deprive Mr Delors' plan of any macroeconomic significance. After this barrage of scepticism from some of the EU's heavyweights, by the end of the first day of the summit Mr Delors' big idea was looking a lot smaller.



Greek Prime Minister Andreas Papandreu chats to his Spanish counterpart Felipe González as European Union leaders prepare for the official photograph yesterday. They are flanked by British Prime Minister John Major and German Chancellor Helmut Kohl; in the back row between them is Danish Foreign Minister Niels Helveg Petersen.

Action agreed on border problems

French plan for pan-European security conference is accepted

By Lionel Barber

A French proposal for a pan-European security conference dealing with minority rights and border problems in the former communist bloc won broad endorsement at the Brussels summit yesterday.

EU foreign ministers welcomed the latest refinement of the Balladur pact, the French prime minister's initiative for strengthening political stability in central and eastern Europe.

The Balladur pact has gained momentum among the 12 EU member states since it was first floated last spring in response to the failure of European diplomacy in former Yugoslavia.

European leaders are seeking ways to fulfil the Maastricht treaty's provisions for joint actions under a new common

foreign policy. They are also responding to signals from the US that the EU should become more involved in security questions on the continent.

However, several difficulties remain outstanding with the latest proposals, diplomats at the summit said.

First, east European states such as Poland and the Czech Republic are less than enthusiastic about attending a peace conference which draws an implicit line between stable western states in the EU and unstable states in the former Soviet bloc.

A Polish official said yesterday his country did not have a minority problem and had signed co-operation agreements with six out of seven of its neighbours.

Second, those countries seeking EU membership - notably the Visegrad Four of Poland,

Hungary, the Czech Republic and Slovakia - argue that closer economic links with the European Union are a more effective way of guaranteeing stability in central Europe than a peace conference.

Third, the question of which states are invited to attend the opening security conference likely to take place next spring remains contentious.

Some countries want to restrict invitations to countries which have realistic aspirations of joining the EU in the next 10 to 15 years. These would include the Visegrad Four, Bulgaria, the three Baltic states and Slovenia.

Others believe that a genuine security conference must include Russia, Ukraine, Moldova and the Caucasus region, all of which are suffering from inter-ethnic conflict. Albania, which has tense diplomatic

relations with neighbouring Greece, is also a prime candidate for an invitation, a Brussels diplomat said yesterday.

A UK spokesman said the Balladur pact was a "good proposal" because it did not attempt to create a new international organisation. Earlier fears that the Balladur pact could duplicate work by the Conference for Security and Co-operation in Europe - whose membership has grown since the collapse of the Soviet bloc - had dissipated.

Intensive diplomacy also appears to have removed objections to earlier drafts of the Balladur pact which seemed an open invitation for disgruntled minorities to challenge frontiers. "Existing borders will not be touched," said a UK official.

The idea is to hold a conference starting in spring 1994.

Search for new voting formula defeats leaders

By David Gardner

EU leaders were struggling yesterday to find a compromise on voting rules in the Council of Ministers which will preserve the interests of both big and small member states if up to four new members - Austria, Sweden, Finland and Norway - join the 12 in 1995.

The Maastricht treaty has brought in more weighted majority voting on EU decisions, and the five big member states are anxious to preserve their influence when the four small countries join.

Most of the small member states, as well as the four applicants, fear Europe's balance of influence could be destroyed, leading to a return to 19th-century balance-of-power politics in which the EU would come to be dominated by a "directoire" of the big states, mainly Germany, France and the UK.

Underlying the controversy is the need to adapt institutions designed for the original six member states not only to the 16 in prospect, but beyond that to possible additional members from eastern Europe.

Germany, supported by France, has after some initial sabre-rattling opted to remit any fundamental reform to the next EU constitutional review in 1996. Bonn fears that otherwise the four applicant countries could lose the referendum they are to hold on accession.

But the UK and Spain both maintained their hard line against a Belgian presidency compromise which would extend the existing rules for 12 to cover 16 members. That would set the "blocking minority" needed to halt a law at 27 votes out of 90, instead of 23 out of 76 now.

The current formula usually requires two big countries and one small one for a blocking minority, and the UK wants this preserved. Spain will accept the 27 threshold, so long as it always contains the votes of two big countries.

An Italian compromise for all member states to surrender one vote looked unlikely to mollify smaller states; Luxembourg, for instance, would have its votes halved.

Belgium's Dehaene trips over his tongue

By David Gardner in Brussels

Belgium's francophone Walloons and Dutch-speaking Flemings set prickly standards of even-handedness in the use of language. They require ministers often to switch judiciously back and forth between the two, even in press conferences.

The Flemish community was not amused therefore by a surreptitious deal at the October Brussels summit by Mr Jean-Luc Dehaene, Belgium's Flemish-speaking prime minister. With his 11 colleagues, he agreed that the official languages used by the new European trade marks office to be set up in Spain would be cut from the nine employed now to five - English, French, German, Spanish and Italian.

Flemish politicians found out when the Netherlands complained that this would heap discriminatory costs on Dutch industry. There was a brief flurry of fit-for-fact vetoes. Since the Dutch were holding up Spain's trade marks office, the EU criminal intelligence unit to be set up in The Hague. A row erupted over language-use in the Eurocorpe, the joint Franco-German-Belgian army unit (fighting languages French and German) which Spain is now set to join.

This particularly exercised the Flemish press. The memory still rankles of Flemish troops dying needlessly in the first world war because they could not understand the orders of their overwhelmingly francophone officer class. They also discovered that the Dutch word for "fire" is remarkably like the Spanish vernacular for a more intimate form of engagement.

The 12 found a complicated way round the trade marks office problem this week. But then Flemish MPs reopened the controversy in the Belgian parliament, adding to the headaches Mr Dehaene already has with the summit.

It was likely the summit conclusions would have to say something linguistically correct to mollify them. This, one Dutch diplomat said, would need to be "All EU languages are equal, but some are more equal than others."

Leaders struggle to unite behind Gatt trade pact

By David Gardner

European Union leaders were struggling last night to unite behind the Gatt world trade deal now likely next week, as Portugal and France hardened their conditions on textiles and agriculture.

Portugal has twice in the past 10 days threatened to veto a Uruguay Round settlement unless its partners seek ways of offsetting what Lisbon regards as an insufficient market access offer by the US on textiles.

Mr Anibal Cavaco Silva, the Portuguese prime minister, referred yesterday to "vital national interests" at stake - the politest Euro-code for threatening a veto - but devoted his efforts to winning over fellow heads of government in a series of bilateral talks.

Portugal won wide sympathy, especially since Mr Cavaco Silva faces local elections tomorrow. But it was not clear how far its partners would or could go in offering funds from an already stretched EU bud-

get to help restructure the Portuguese textile industry.

A European Commission trade official said, however, that "we think that when the details of the market access deal emerge, the Portuguese will find a lot to be satisfied with" on textiles.

France refused to relent on its demand that the EU guarantee farmers would not have to set aside farm land, or take any more land out of production because of the Uruguay Round, if the output projections of the reformed Common

Agricultural Policy exceed the limits on subsidised food exports set by Gatt.

French officials insist that the government must have a plausible guarantee to offer when France's National Assembly meets to debate Gatt, probably on Monday.

Such a guarantee could break the EU budget or it could cost nothing. If CAP projections for the next two years are as accurate as they have been in the first year of reform. "Pick a figure," said one European Commission official.

He pointed out that if EU cereals prices do not come down to world market levels as a result of production restraints and price cuts which farmers get direct compensation for, then every Ecu100 overshoot would cost the Union Ecu2bn (£1.52bn) in extra compensation to avoid further set-aside.

There were signs last night, however, of a compromise on French demands - strongly backed by Spain and a thin majority of member states, but opposed by Germany - for

strengthened EU trade weapons to put up against the US Section 301 trade arsenal.

The current Belgian presidency is suggesting that a simple majority of the 12 should be sufficient for Brussels to take anti-dumping action against imports sold in Europe below production cost or home market price, but that the higher hurdle of weighted majority voting, normally requiring support from nine or 10 member states, should be retained for using safeguard clauses against import surges.

Foreign ministers were due to discuss the wider Gatt deal over dinner last night.

The 12 heads of government and Commission president Jacques Delors were expected to examine the farm and textiles issues at a separate, closed dinner.

According to the Belgian presidency, foreign ministers were also expected to start a meeting on Gatt on Monday, possibly running through the week until after Wednesday night's deadline for concluding the Uruguay Round.

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Gatt clash over US tax is defused

By David Dodwell, World Trade Editor, in Geneva

A row over potential US tax discrimination against foreign companies, which for three weeks has threatened agreement over the Uruguay Round of talks on international trade reform, was settled in Geneva yesterday.

After a full week of negotiation, headed on the US side by Mr Les Samuels, US assistant secretary for tax affairs at the Treasury, the US has agreed to abandon threats to exempt itself from a commitment to treat foreign and local companies in a non-discriminatory way in so far as tax policies affect trade.

The Uruguay Round text to which the US had objected has been amended to the satisfaction of all 116 countries involved in negotiating the round.

The commitment to "national treatment" - treating foreign companies exactly the same as local companies - is a founding principle of the multilateral trading principles of the General Agreement on Tariffs and Trade. The US threat to exempt itself from the obligation to provide national treatment for tax purposes provoked a storm among Gatt negotiators just three weeks ago.

Alongside US threats to offer full most favoured nation treatment in financial services to just 20-or-so trading partners, the row over tax was seen by many negotiators as bringing into question US commitment to international trade rules. This breakthrough reduces the list of potential "round-breaking" disputes. Those remaining

Mr Morihiro Hosokawa, the Japanese prime minister, has been forced to postpone for a second time an official decision on lifting the ban on rice imports, writes Emiko Terazono in Tokyo.

Mr Hosokawa had intended to make an announcement yesterday, but was forced to rescind because of opposition from the socialist party, a member of the seven-party coalition.

Japan is expected to agree to accept limited imports for six years and then introduce tariffs.

include the financial services issue, US demands that anti-dumping rules be changed, and a US-EU row over access to Europe's film and television sectors.

Negotiators conceded yesterday that existing bilateral tax agreements allow governments to treat local and foreign companies differently for tax purposes. New Gatt rules would only challenge this right if the rules were seen to be used for protectionist purposes.

US concerns that the new Gatt rules were not clear enough, and that they raised the danger of Gatt panels being used as "courts of appeal" against domestic tax rulings, have been resolved over the week's negotiations.

Similarly, tax issues falling outside the scope of an existing tax treaty - and therefore potentially subject to arbitration in the Gatt - will be immunised against Gatt interference. Only future tax treaties face the prospect of being subject to the new Gatt powers - except if treaties are specifically drafted to prevent this.

Jobs hold key to Japan's recovery

A flood of redundancies could tip the faltering economy over the edge, writes Robert Thomson

Japanese executives have just begun their annual *bonenkai* or "forget-the-year" parties. With profits down and sales slipping, they have much to forget, but the results of the latest survey of business sentiment suggests that it will be forced smiles all round when they toast the year ahead.

The executives will derive little cheer from the surprisingly favourable GDP figures for the third quarter, which show growth of 0.5 per cent quarter-on-quarter. For this is seen as a lagging indicator and the Bank of Japan's quarterly survey of business found that trading conditions have worsened in the past two months.

Manufacturing companies told the Bank that their sales will fall by an average of 4.5 per cent this year, that capital spending is being cut by 15.3 per cent, and that they face a growing surplus of labour, which raises the prospect of an increase in unemployment in coming months.

But the Bank could point to one positive sign. Companies said the lending attitude of financial institutions has become more "accommodating" over the past three months, reducing the pressure

on the Bank to cut the official discount rate from the present record low of 1.75 per cent.

The Bank of Japan has argued that Japanese commercial banks, burdened by bad property-related loans, are still willing to lend to traditional customers, but doubts remain about the readiness to lend to companies not regarded as core customers or in sectors

Officials fear companies under pressure will be tempted to dismiss employees

which are suffering most during the downturn.

Officials at the Economic Planning Agency said their greatest concern was that companies under pressure would be tempted to dismiss employees, leading to an erosion of consumer confidence and the stalling of economic recovery in coming months.

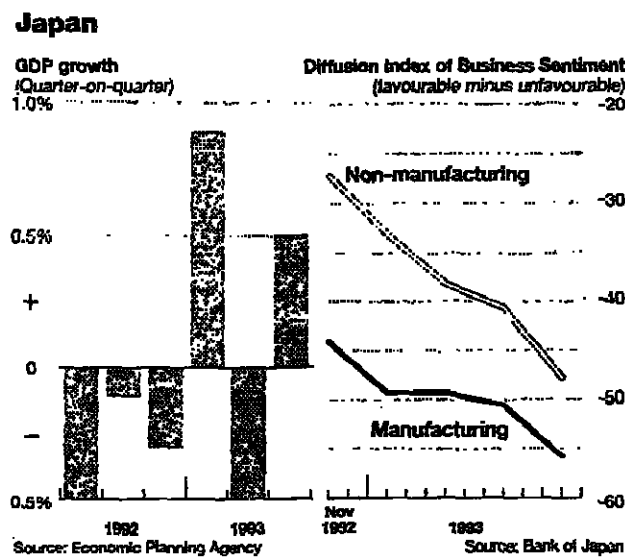
The EPA believes that consumers have the resources but

not the inclination to spend, and suspects that there will be a recovery of demand for cars and electronic products early next year, two sectors which have been a drag on the economy for much of the past year.

A cut in income taxes is being considered as part of the government's next stimulatory package, due to be put together from next week, but further reductions in overtime and bonuses would work against an increase in consumer confidence. The Bank of Japan's index of excess employment rose from 19 to 26 over the last three months.

Other indices suggested that the reduction of excess inventories has slowed, while the surplus of production capacity is increasing. A range of small manufacturers, the most likely to cut their workforces, reported a sharp deterioration of business conditions, with industrial machinery makers, materials companies and textile makers among the least optimistic.

Japan's official forecasters are still hoping for a recovery in the final months of the fiscal year ending in March, but the Bank of Japan admitted yesterday that an upturn is more likely to come next fiscal year



and that the economy's fate hinges on conditions in the labour market.

Mr Geoffrey Barker, economist at Baring Securities, said business sentiment tended to be particularly pessimistic at this stage of the economic cycle, and there was reason for confidence that there would be a recovery next year. However, he suspects the economy will shrink again this quarter.

The recovery in housing investment, which rose 9 per cent during the third quarter and boosted the GDP figure, was linked to falling interest

rates for home loans, an expansion of concessional finance available to home buyers from the government, and the recognition among buyers that housing prices may have hit bottom.

EPA officials described the economy as "bumping along the bottom", first touched in April this year. However, they concede that a rush of redundancies could send the economy into a downward spiral and are hoping that companies will hold on to their surplus labour for at least a few more months.

Cheaper oil holds down US inflation

By Michael Prowse in Washington

US consumer prices rose 0.2 per cent last month and by 2.7 per cent in the year to November, indicating that the accelerating pace of economic growth is not yet putting much upward pressure on inflation.

The rise in the index was restrained by a 1.3 per cent decline in energy costs between October and November, reflecting recent falls in world oil prices.

Excluding the volatile components of food and energy, the "core" consumer price index rose 0.3 per cent, in line with analysts' projections. The annual rate of core inflation was 3.1 per cent.

The service sector continues to lag behind other industries in containing inflationary pressures. In the year to November services prices were up 3.6 per cent against 1.5 per cent for goods. Goods-price inflation is being kept in check partly by a strong rebound in US productivity. Revised figures this week showed productivity grew at 4.3 per cent a year in the third quarter, stronger than in previous recoveries.

China doubts hit Hong Kong credit rating

By Simon Holberton in Hong Kong

Hong Kong's most prestigious borrower, the Mass Transit Railway Corp (MTRC), yesterday had its credit rating cut because of concerns over political stability in China and their possible impact on the colony.

The decision by Moody's Investor Service to cut the MTRC's rating to A1 from Aa2 drew swift criticism from the corporation and its sole shareholder, the Hong Kong government. But the downgrading of the MTRC's debt, and the official publication of Governor Chris Patten's democracy legislation, had little effect on stock market sentiment yesterday. Strong foreign buying pushed the Hang Seng index to a record close of 10,228.11 - up 237.85, or 2.38 per cent, on the day.

Chief among the complaints of the government was Moody's questioning of the robustness of the Hong Kong dollar's link with the dollar. Moody's said that China was likely to go through periods of political uncertainty in the future and this could affect political stability in Hong Kong. "The Hong Kong dollar remains vulnerable to such

political crises," it said.

In September 1983, in response to financial uncertainty caused by deteriorating Anglo-Chinese relations, the Hong Kong dollar was fixed at HK\$7.8 to US\$1.

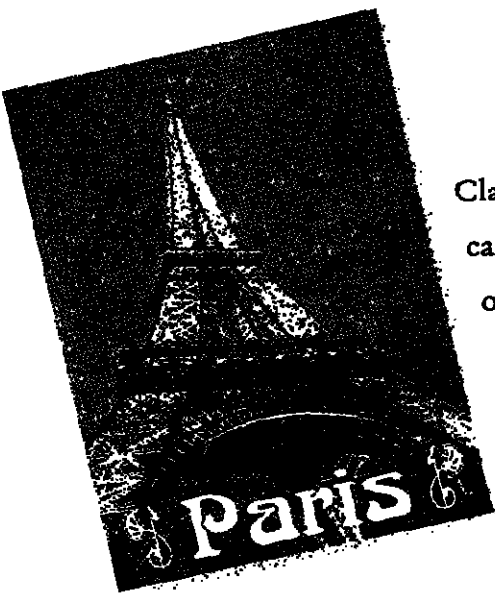
The government said the link had ensured currency stability for the past 10 years. During that time the Hong Kong dollar had withstood shocks induced by the 1987 crash in world share prices, the June 1989 Tiananmen "event" in Beijing and the 1991 Gulf War.

"We have extremely strong backing for the Hong Kong currency, including [accumulated reserves] which stood at HK\$287bn at the end of 1992 - among the largest in the world," the government said.

Mr Roger Moss, MTRC finance director, said Moody's assessment was a misreading of the protections afforded to Hong Kong by the Basic Law and the Sino-British Joint Declaration. They give the MTRC's "creditors considerable insulation from Chinese sovereign risk," he said.

At the end of June, the MTRC's outstanding debt amounted to HK\$18.5bn, against shareholders' funds of HK\$8.2bn.

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Russians urged to reject neo-fascists

By Leyla Boulton in Moscow

RUSSIA'S CHOICE urged rival democratic parties to help it fend off the danger posed by the neo-fascist leader, Mr Vladimir Zhirinovskiy, while the government attempted to woo the electorate with last-minute tax breaks.

After polls showed his neo-fascist Liberal Democratic party might become the second largest party in the new parliament to be elected on Sunday, Russia's Choice issued a statement saying "if it has all been a joke to you so far, then now it really is frightening".

Mr Mikhail Poltoranin, a key figure in Russia's Choice, which started off the campaign by refusing to take Mr Zhirinovskiy seriously, even went as far as saying Mr Zhirinovskiy could become president by next autumn.

But Mr Poltoranin, who is particularly given to hyperbole, did not give details of how this scenario might come

Mr Alexander Shokhin, the Russian deputy prime minister responsible for economic negotiations with the EU, yesterday denied reports that Moscow would scrap curbs on western banks earlier than planned, writes Leyla Boulton. He said that remarks attributed to President Boris Yeltsin during his visit to Brussels had been misunderstood. He said that an offshore regime for banks after they had received full banking licences would remain in force.

about, using it rather as a rallying call to urge leaders of other democratic parties to persuade their supporters to back Russia's Choice.

Meanwhile, the government, many of whose members are leading candidates for Russia's Choice, approved a law on personal income tax, designed to attract additional votes. It raised the threshold of tax-deductible income for each member of a household to a minimum wage level of Rb14,000 a month. In a decision of interest to foreign companies and Russia's rich alike, it confirmed that top bracket tax-payers, which include most western expatriates, would not see

their tax rate increased to 40 per cent next year, as originally sought by the Finance Ministry, but would continue to be charged 30 per cent.

A decree doubling pensions for 90 per cent of pensioners is also expected to be signed by President Boris Yeltsin before the elections. Mr Sergei Alexashenko, deputy finance minister, said it would cost the government Rb765bn a month - a very large amount given that the budget deficit for this year alone is projected at Rb5,500bn. In another boost for the government, miners in the arctic region of Vorkuta yesterday called off a strike begun on Monday, presumably after concessions from the government in a pay dispute. Meanwhile, Mr Boris Fyodorov, continuing to express confidence that Russia's Choice would do well on Sunday, yesterday threatened to resign unless President Yeltsin sacked Mr Victor Geraschenko as central bank chairman after the elections. "Either I am right or Victor Vladimirovich (Geraschenko) is right," he said, referring to their conflict over whether Mr Fyodorov's financial austerity measures are what Russia needs.

Apathy envelops the cold heart of Siberia

By Christia Freeland in Krasnoyarsk

RUSSIA'S CHOICE urged rival democratic parties to help it fend off the danger posed by the neo-fascist leader, Mr Vladimir Zhirinovskiy, while the government attempted to woo the electorate with last-minute tax breaks.

Straddling the Trans-Siberian railway, exactly halfway between Russia's European west and its Asian east, the Siberian city of Krasnoyarsk speaks for the Russian heartland.

In the fight for the great Russian middle, Mr Yegor Gaidar, leader of the reformist Russia's Choice bloc, kicked off his campaign there. Mr Vladimir Zhirinovskiy, the neo-fascist candidate, did better, visiting the city three times, and all of Russia's other leading politicians have been careful to include Krasnoyarsk on their whistle-stop tours of the country.

"We are in the middle of Russia, so we reflect the middle Russian vision," the energetic young governor of the region, Mr Valeri Zubov, says proudly. "The way Krasnoyarsk votes is the way Russia votes."

But the hardy inhabitants of this frozen region - the centre of Russia's gold rush in the 1890s and later a place of exile for political dissidents - have developed a powerful aversion to the blandishments of the capital's politicians.

Belying their city's name, which translates literally as "red and passionate", the citizens of Krasnoyarsk appear largely indifferent to the forthcoming parliamentary elections and constitutional referendum. Everyone is heartily

sick of what are commonly described as "the political games" being played thousands of miles away in Moscow and would prefer to get down to the difficult business of surviving in Russia's crumbling economy.

"Nothing decided in Moscow has any effect on us here," says Mr Sergei Dyakov, a moustachioed 36-year-old machinist who works at one of the city's chemical factories, as he patiently stands in a queue to buy sausage. "In our country, laws have less value than the paper on which they are printed, so I don't plan to vote for any of the candidates."

than the paper on which they are printed, so I don't plan to vote for any of the candidates or on the constitution," Mr Dyakov says.

Mr Ivan Chupriyanov, the barrel-chested director of an alumina factory on the windswept Siberian steppes 250km north-west of Krasnoyarsk, heartily agrees. "The past three years," he says, "have progressively taught us not to be political."

This indifference to party politics is reflected in the decision of many local politicians to run for seats in parliament on the basis of their personal reputations rather than party affiliation. Yet if eyes in Krasnoyarsk

roll heavenward when the subject is politics, the interest in the economy is avid. As in the rest of Russia, the area is beginning to feel the pinch of finance minister Boris Fyodorov's tight grip over the government's purse strings.

In a region where entire cities were built up in isolated areas to serve the needs of a single factory, the repercussions of this policy are particularly grim. Unable to pay for fuel, dozens of towns - in areas where January temperatures regularly drop below minus 40°F - are cutting off domestic heating. Cash-strapped Krasnoyarsk enterprises are typically at least three months behind in paying workers' salaries.

Unsurprisingly, this financial crunch means pressed factory directors admit their political sympathies lie with the left.

Asked whether he prefers the more moderate reforms advocated by Mr Grigory Yavlinsky over the fast-track approach of Mr Gaidar, Mr Yegor Demianenko, director of an oil refinery in Achinsk, a city 250km north of Krasnoyarsk, is offended.

"Are you trying to insult me?" replies the manager, whose refinery, now operating at less than 50 per cent capacity and running debts of more than 400m roubles, is one of only two employees in a town of 130,000. "Both of them are terrible." Although he probably won't bother going to the polls at all, Mr Demianenko says that if he did vote it would be for the centrist bloc led by fellow industrialist, Mr Arkady Volvsky.

Rome agrees steel reforms with EU

By Andrew Hill in Brussels

Italy and the European Commission yesterday agreed restructuring plans for the Italian steel industry, which could clear the way for an overall rescue plan for Europe's troubled steelmakers.

The plans are now likely to be put to European Union industry ministers at a special meeting next Friday, where they will require unanimous approval.

Discord between Rome and Brussels was the main reason why EU ministers failed to agree a deal on subsidies for European state-owned steel producers last month.

The chances of unanimous agreement on state aid to the Italian, Spanish, Portuguese and east German industries at next week's meeting will now depend on other member states, notably Britain.

Yesterday's agreement followed a meeting between Mr

Carlo Azeglio Ciampi, the Italian prime minister, and Mr Jacques Delors, the Commission president.

The agreement was struck yesterday morning by Mr Karel Van Miert, competition commissioner, and Mr Paolo Savona, Italian industry minister.

Under the deal, Iva, the Italian steelmaker that is to be privatised, will no longer have to close a third reheating furnace at its Taranto plant in southern Italy.

But to maintain the balance between capacity cuts and subsidies, any private buyer of Taranto would be forced to close 500,000 tonnes of capacity in its own flat product activities.

Agreement on state aid to the steel industry is essential to trigger a co-operative programme of production cuts by private steelmakers, which have been suffering from lack of demand and overcapacity.

NEWS IN BRIEF

Delay for Hungary in IMF pay-outs

International Monetary Fund credits for Hungary have been put on hold just three months after it concluded a standby agreement with Budapest, writes Nicholas Denton from Budapest.

Local and IMF officials said yesterday Hungary would not this month be drawing down the second tranche of the 18-month SDR340m (€22bn) credit package concluded in September. World Bank structural adjustment credits are also delayed.

Budapest, anxious to maintain appearances before international capital markets and an electorate which will judge the conservative coalition's economic policies in elections next year, denied that it amounted to a suspension of Hungary's IMF agreement. The official explanation is that the central bank's record \$6.1bn (€4bn) reserves obviates the need for IMF support.

But the IMF drew attention to deteriorating economic indicators. The agreement assumed a current account deficit of \$1.5bn this year but the latest unofficial forecasts put the shortfall at \$3bn, or about 9 per cent of GDP. The government's implied budget deficit for 1994, equivalent to 6.3 per cent of GDP, is also overshooting the IMF target of 5.4 per cent.

Mr Jozsef Antall, the Hungarian prime minister, has suffered a relapse in his long-running illness, raising new questions about his ability to lead Hungary's governing conservative coalition into elections next spring. An official communiqué announced yesterday that Mr Antall, who is 61 and receiving treatment for cancer, had developed heart complications.

US plans to cut army reserve

Mr Les Aspin, the US defence secretary, yesterday announced plans to cut the army reserve and National Guard troop strength by 100,000 over the next five years, writes George Graham from Washington. The plan to cut the army reserves to 575,000 in 1998 drew reluctant support from reserve officers and influential members of Congress who have blocked previous attempts by the Pentagon to shrink the reserve in line with the reduction in the overall size of US armed forces.

Some analysts estimate these cuts could save as much as \$2bn a year when fully phased in, at a time when bad inflation forecasts and Congress's decision to raise military pay have left the Pentagon \$40bn-\$50bn short of what it believes it needs over the next five years to maintain its desired force structure.

Chile resolves presidency row

The heads of Chile's political parties have settled a long-running dispute, by agreeing to cut the presidential mandate from eight to six years, less than 48 hours before today's presidential and parliamentary elections, writes David Pilling from Santiago.

Mr Eduardo Frei, who is the candidate of the governing Concertación coalition, is clear favourite to win the presidency. The agreement to cut the term must be confirmed by Congress.

Mexico frees its central bank

Mexico's Congress has approved legislation that will formally give the central bank independence from the government, writes Damian Fraser in Mexico City. The bank's fundamental objective will be to maintain the purchasing power of the currency.

The new law gives the central bank control over monetary policy, and severely limits the credit it can extend to the federal government. This is intended to ensure that government budget deficits do not lead to an expansion in the monetary base, and a rise in inflation. However, exchange rate policy will be determined by a commission made up of the central bank and the Finance Ministry, in which the ministry has the power of veto.

UN blocks Bosnian Serb fuel

Angered by repeated Serb blockades of fuel to Bosnian government strongholds, UN relief officials yesterday cut off fuel deliveries to Serb-held parts of Bosnia, writes Laura Silber from Belgrade.

"The Bosnian Serbs... agreed to these deliveries. They have now reneged on the deal," the UNHCR said yesterday.

Despite another pledge in Geneva last week by the leaders of the three warring parties to allow free access for relief convoys, the Bosnian Serbs yesterday again blocked a convoy headed for Gorazde, the desperate Muslim enclave in south-eastern Bosnia designated a UN "safe area".

Jewish settlers kill 3 in Hebron

By Julian O'zanne in Jerusalem

Jewish settlers seeking to sabotage the Israeli-Palestinian peace process shot dead three Palestinian civilians yesterday in Hebron, the main focus of the recent upsurge in violence in the occupied West Bank.

The murders came less than 72 hours before Israel was due to begin a troop withdrawal from the occupied Gaza Strip and West Bank area of Jericho under the terms of the outline peace accord.

They are certain to exacerbate tensions between Israel and the Palestinian Liberation Organisation.

In a fresh sign of the continuing disarray inside the PLO, Mrs Hanan Ashrawi, who had risen to prominence as spokeswoman for the Palestinian delegation at the Washington peace negotiations, resigned yesterday.

Mrs Ashrawi has long been identified with a growing body of senior Palestinians deeply critical of the leadership style of Mr Yassir Arafat, the PLO chairman. She announced she was going to set up a human rights watchdog to monitor the new self-governing authority in the occupied territories.

The killings in Hebron overshadowed last-minute efforts by the PLO and Israel to resolve outstanding differences on implementing the peace accord. Since the agreement was signed on September 13, 38 Palestinians and 18 Israelis have been killed.

Mr Warren Christopher, US secretary of state, confirmed yesterday in Tunis that Mr Yitzhak Rabin, Israel's prime minister, and Mr Arafat would meet in Cairo tomorrow in a last minute effort to break the deadlock before Monday's deadline for the finalising of Israeli military withdrawal.

Israel and the PLO remain deeply divided over the size of the Jericho area, control of border crossings and the future role of Israeli troops in Palestinian areas.

Israel radio said a Jewish settler claimed the Hebron triple murder was in revenge for the killing on Monday of an Israeli settler by the militant Islamic Hamas movement. In Gaza yesterday, Palestinians wounded two Israelis.

Israel has said it will not let Arab-Jewish violence jeopardise the peace process. Gen Ehud Barak, army chief of staff, was quoted as saying troops were on a war footing to combat both Palestinian and Israeli extremists.

Many believe the longer a formal protocol between the PLO and Israel is delayed the more extremists will try to exploit the vacuum.

Mrs Ashrawi, a professor of English literature, denied her resignation was a protest against Mr Arafat's leadership. "You have a leadership which has been in exile and a people which has been under occupation... and the prospect of merging these two and creating a democratic system is a source of fear," she said.

Italian unions in one-day strike

Italy's powerful engineering unions yesterday staged a one day strike to highlight the growing number of plant closures and lay-offs, writes Robert Graham from Rome.

Union leaders also threatened similar action in January if the government and employers failed to respond with measures to help offset the employment crisis.

Demonstrations were staged in all Italy's main industrial cities with 15,000 marching through the centre of Rome shouting angry slogans demanding job protection and a new industrial strategy.

The protest was held against the backdrop of two benchmark sets of negotiations over job losses and lay-offs - at Fiat's car division and at Olivetti, the computer and office equipment group.

Fiat is proposing to lay off 40 per cent of its car workforce for two years as of January and is seeking a 5 per cent cut in jobs. Olivetti is seeking to prune a further 2,000 jobs from its 18,000 strong Italian workforce.

In recent protests Fiat plants have been little affected. But yesterday there was a strike call at Arese near Milan, the Fiat plant most at risk of closure.

French franc makes comeback

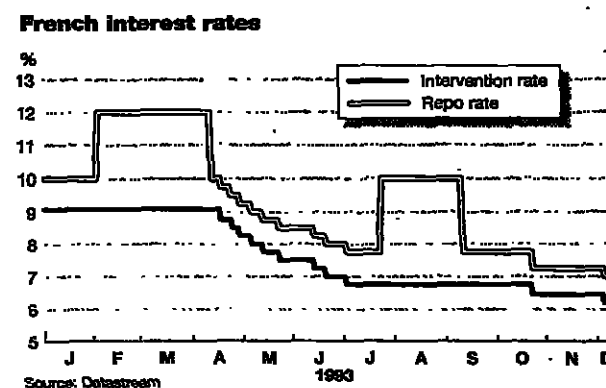
Paris is relieved at the recovery but questions have been raised, writes John Ridding

The French franc is back. For the first time since the summer's currency crisis it has returned to the narrow trading bands which formed the basis of the European exchange rate mechanism before the assault from the foreign exchange markets.

The crisis forced a widening of the fluctuation bands around each currency's central rate from 2.25 per cent to 15 per cent and broke the close link between the franc and the D-Mark. But on Wednesday, after a period of gathering strength, the French currency breached its previous floor rate of FF73.4305 to the D-Mark. It has since traded at around FF73.4250.

The rise of the franc has been greeted with quiet satisfaction in France's financial ministries. But it raises several questions: from the reasons for the rise, to the implications for monetary policy should the franc retain its vigour.

For French government officials, the franc's fortunes require little explanation. They have always said the franc's rate within the ERM is justified by economic fundamentals. They point to France's low inflation rate, which stands at an annual rate of just over 2 per cent, and the competitiveness of French indus-



try, which will contribute to a trade surplus forecast to reach FF70bn (€6bn) this year.

Private-sector economists agree that economic factors are underpinning the franc. But they add that the fundamentals have become influential only as a result of the collapse of the old exchange rate system. "In the world of narrow bands what mattered was the need to keep interest rates high to stay pegged to the D-Mark," says Mr Paul Chartkow, head of currency research at UBS in London. "With 15 per cent bands it is fundamentals that count."

For Mr Chartkow and other economists, the fundamentals are pointing in favour of the

franc. "France clearly leads Germany in the economic cycle," says Mr Bernard Godefont, chief economist at the Nomura Research Institute in Paris. In this respect the rise of the franc is part of a broader reappraisal of the D-Mark, which has seen the German currency weaken against other European currencies.

There are other reasons cited for the rise. The prospect of a deal in the Gatt trade talks has eased fears about protectionism. Technical factors are also important. Many currency traders took positions against the franc at FF73.4180 to the D-Mark, the rate initially defended by the French monetary authorities in the battle

against the foreign exchange markets. As the franc again approaches these levels, traders have moved to unwind their positions.

Whether the franc maintains its strength is a hazardous prediction. But the prospect of a continued easing in German monetary policy as inflationary pressures weaken, and a revival, if faltering, in the French economy, should support the French currency. The question then is how the French authorities respond.

Mr Jean-Claude Trichet, governor of the Bank of France, and his political colleagues are unlikely to rush to reinstate the narrow ERM bands. They are content with the current arrangement, which presents currency speculators with a "two-way risk" by removing the fixed targets set by the former limits. French officials also suggest that the goal of a single European currency requires only that currencies follow "normal" bands for two years, under the terms laid down in the Maastricht treaty on European union.

An acceleration of interest rate cuts in France, in the near term at least, is similarly regarded as unlikely. "We should not expect a change in their cautious approach," says Mr Christopher Potts, econo-

A Cape Town mural of South African president FW de Klerk (right) and ANC leader Nelson Mandela, who collected their Nobel Peace Prize in Oslo yesterday, and two previous South African winners, Archbishop Tutu and the late ANC chief Albert Lutuli

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OFT presses insurers on life policies

By Alison Smith

Life companies should be made to publish how many of those who buy their products cancel them in the early years, Sir Bryan Carsberg, the director-general of fair trading, said yesterday.

The proportion of life insurance policies lapsing after just a few years has been a driving force behind demands for the industry to provide better information to customers.

Surveys have suggested that on average 30 per cent of policies were terminated in two years with a loss to the consumer, implying that many products had been sold to people for whom they were not suitable.

Sir Bryan's call ended a week in which the life insurance industry was fiercely criticised over how personal pensions were sold to people transferring out of employers' schemes. The Securities and Investments Board, the City's chief watchdog, has launched an inquiry.

"Over-selling or mis-selling of pension policies and endowments is now referred to as a 'national scandal'," Sir Bryan told the British Insurance Law Association.

"Disclosure would put public pressure on companies to review their selling practices and it would signal to regulators which ones were over-selling," he said.

Lautro probes high-income ads

By Alison Smith

Lautro, the self-regulatory organisation for the life insurance industry, yesterday told its members to send in advertising and marketing material for high-income products, so it could investigate whether investors had been misled.

Its guidance said that where an investigation confirmed that investors might not have fully understood the product they bought, then companies must take remedial action, which might include sending further information.

The move follows advice to members earlier in the week from Fimbra, the self-regulating organisation for financial advisers, and a similar guidance note a few weeks ago from Imro, the regulator for the fund management industry.

Fimbra's guidance did not mention the prospect of an inquiry, and the organisation is not calling in marketing material from members.

It is, however, expected to

take action next week against one of its members. Following an intermediary's distribution of misleading marketing material, Fimbra is likely to insist that a correction and advice to customers about what steps to take are published prominently in the clients' newsletter.

Regulators are particularly concerned that misleading comparisons may be drawn with the rates of return from forms of savings such as building society accounts.

One of the reasons high-income products have become popular is that investors have looked for ways to replace the income they have lost as interest rates on personal savings have fallen.

But some such products will not repay capital in full unless market growth - are met.

The differing and overlapping responses from regulators to this issue will reinforce the argument for the single regulator in this area - the personal investment authority - which is scheduled to start next year.

His renewed attack on current practice in the industry came as SIB finalised its plans detailing how life sales agents must tell prospective customers about the products they sell and their commission rates.

It has dropped the idea of using a graph to show policy charges. Instead, it has combined the two approaches put forward during the consultation process.

SIB's board will meet on Thursday to approve the new rules, which will go to the Treasury before Christmas.

On the basis of market research, SIB now proposes that sales agents should give prospective life insurance customers a four-page document, starting with a statement of the policy's aims and the customer's commitments and risks. It would then go into a question and answer format on the "key features" of the product.

The document will include two short tables, one giving information such as surrender value and charges in each of the first five years, and the other giving similar information at five-yearly intervals over the length of the policy.

SIB's board must also decide whether to support their officials in recommending that the requirement to disclose commissions should apply not only to life insurance but to term assurance policies as well.

Change to Serps rebates proposed

By Norma Cohen, Investments Correspondent

Tax rebates to encourage contracting out of the State Earnings Related Pension Scheme should grow as individuals age, in order to prevent them from re-entering the state scheme, a government paper proposed yesterday.

The proposals have concerned life insurance companies because the present system of flat-rate rebates has boosted sales of personal pensions to young people. Flat-rate rebates - where personal pension holders under the age of 30 are entitled to an additional rebate of National Insurance contributions - allow young people to buy better pension benefits than if they remained in Serps.

The life industry estimates that one-half to two-thirds of all personal pensions are taken out solely on the National Insurance contribution rebate for financing.

The Department of Social Security estimates that only 750,000 of Britain's 5m personal pension policyholders are aged 40 or over.

In its paper, the department outlines three options for setting age-related rebates: an incrementally larger rebate as individuals age; handing several ages with a single rebate rate; or a hybrid scheme combining both options. The government is seeking comments on its proposals by January 15.

The paper notes that any move to age-related rebates would increase the administrative burdens of pension providers by requiring them to keep documentary evidence of each scheme member's age.

The first option, that of setting a different tax rebate for each age, is the fairest, according to the document, and the most cost-effective for the government in that it could ensure that personal pensions were attractive to all age groups.

But administering 40 separate tax-rebate structures could "place a significant new burden on business" for employer-sponsored schemes.

The second option, age bands of, for example, five years each, might create a situation where individuals found it advantageous to periodically switch between Serps and private provision. That would also raise some issues of "best advice" required under the Financial Services Act.

Political arguments over the growth in the number of National Health Service managers will be intensified by official figures showing a further rise of nearly 25 per cent last year.

The 24.9 per cent increase in general and senior managers between 1991 and 1992 compares with a 1 per cent rise in hospital medical staff, and a 0.3 per cent drop to 971,000 in total hospital and community health service staff levels.

The Department of Health said yesterday that relatively little of the growth stemmed directly from the government's NHS reforms.

Opposition MPs have expressed concern that the NHS is spending too much on administration. Publication of yesterday's figures follows a government announcement this week that the cost of providing cars in the NHS rose from £53.7m to £70m between 1991-92 and 1992-93. There were also claims - based on parliamentary answers - by Alan Milburn, Labour MP for Darlington, that the service had spent an extra £1.5bn on managers, administrators and clerical staff in the past four years.

Yesterday's figures show that by last year there were 18,800 general and senior managers in England, compared with 13,500 a year earlier. The NHS's management structure was reformed in the 1980s, making valid comparisons with earlier years difficult - there were, for example, only 710 general and senior managers in 1987.

The department said that about 82 per cent of last year's growth resulted from what had "in effect been a redefinition of the group". Senior-manager

terms and conditions had been extended to other staff groups. According to the government, only 14 per cent of the increase arose from trust hospitals expanding their management teams as they took on new responsibilities under the 1991 NHS reforms. Another 15 per cent, it said, could be explained by measures to strengthen financial, personnel and information functions in the service.

Hospital, public health and community health medical and dental staff in England grew by 15 per cent between 1982 and 1992 to 62,080.

The agency said it was disbanding its engineering services branch as a separate unit because of a rapid drop in demand from business clients. This meant that 470 jobs were likely to become surplus. However, the agency said some of these jobs would have been lost anyway under the 1992 cutbacks, which involve the closure of 15 sites.

The engineering cuts affect eight sites, with the biggest reduction involving 114 jobs at Prestock, Hampshire. Plans for market testing in the engineering unit and possibly moving it to the private sector will be abandoned.

The agency, formed in 1991 from four Ministry of Defence research establishments, employs about 10,500 people.

Welsh agency aid to rise by £10m

Government grant in aid for the Welsh Development Agency, which was cut from £78.2m in 1992-93 to £59.6m this year, is to be increased next year by nearly £10m.

Mr John Redwood, Welsh secretary, said yesterday that asset sales should allow the agency to have overall expenditure of £187m in 1994-95.

Development post

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Milk marketing reforms thrown out

By Deborah Hargreaves

The government yesterday put at risk plans to open up the milk market in England and Wales to competition by next April by throwing out proposals by the Milk Marketing Board to turn itself into Milk Marque, a farmers' voluntary co-operative.

Farmers fear the widespread criticisms of the board's reorganisation plans voiced yesterday by the government will put back the timetable for freeing up the market.

The reorganisation plans re-

resent the greatest shake-up in the milk business since the board was created 80 years ago. But the government is afraid that proposals by the board could restrict the development of competition as they would in effect control the bulk of supplies in the new market.

Mr Richard Packer, permanent secretary at the Ministry of Agriculture, yesterday told the board that it should hold talks with dairy companies which have condemned the reorganisation scheme.

The government is being

forced by Brussels to abolish the milk board, which acts as an intermediary in the market by buying up all milk from farmers and selling it on to dairies. But the board's plans to transform itself into a co-operative have fallen foul of the European Commission's competition authorities.

The commission indicated earlier this week that it was not happy with plans to transfer the bulk of the board's assets directly to the proposed Milk Marque, saying this needed further investigation.

Mr Andrew Dare, set to

become chief executive of Milk Marque, has promised farmers higher prices for their milk if they join him in April - saying prices will rise because the UK does not produce enough milk for its own needs. His plans to sign up 80 per cent of producers will still give him great power in the new market.

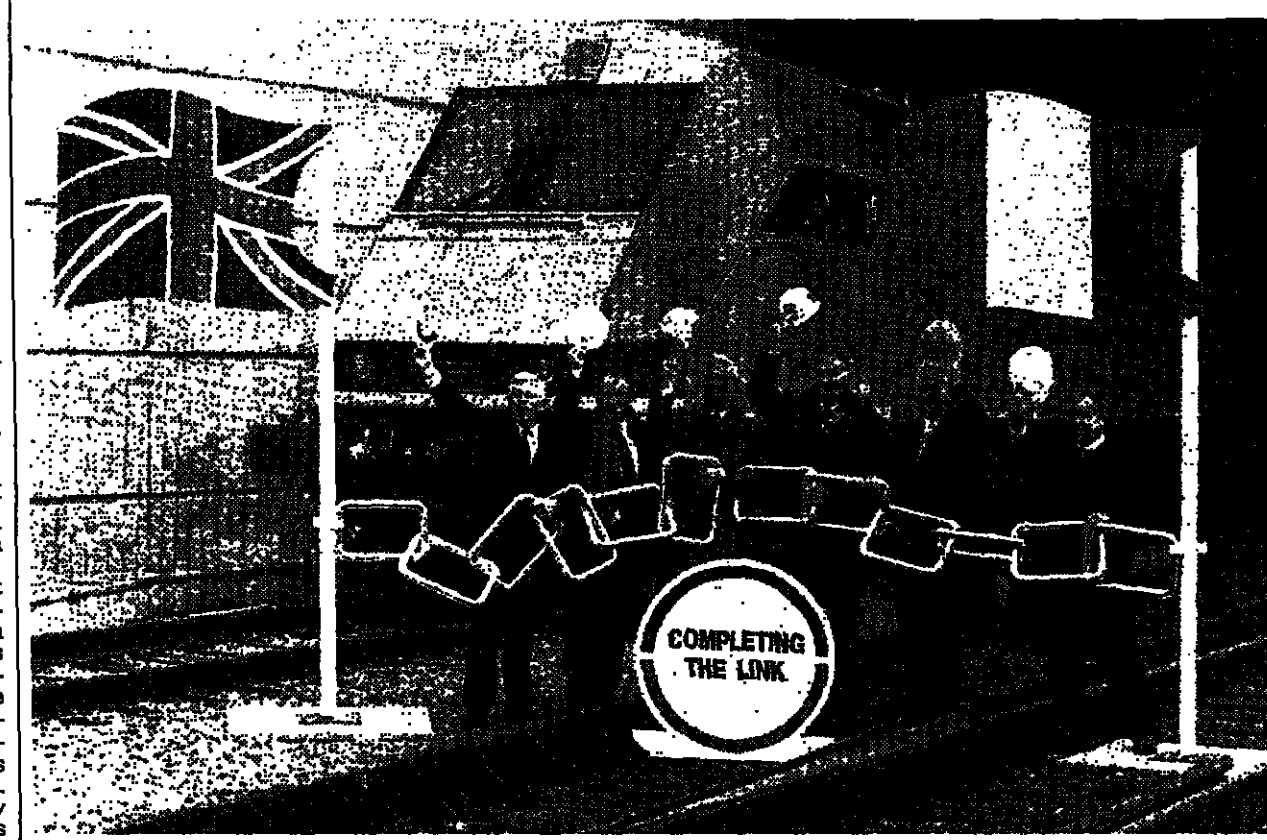
The Dairy Trade Federation, which represents wholesale milk purchasers, has criticised the proposed Milk Marque stranglehold on the market and stressed that its arrangements for milk sales from April are unworkable.

The government yesterday

asked the board to look again at its proposals for an auction system as a way of rationing milk supplies to the highest bidder. It also queried the transfer of certain assets such as National Milk Records, the milk testing laboratories, the milk breeding advisory service to the new co-operative.

Mr Packer called into question proposals for transferring all haulage contracts to the new body and proposals on how often producers who sign up with Milk Marque are allowed to leave it.

Mr Packer called into question



Chain gang: at yesterday's handover of the channel tunnel are (from left) Peter Costain of Costain, Tony Palmer of Taylor Woodrow, Neville Stimmis of Tarmac, Sir Alastair Morton of Eurotunnel, Joe Dwyer of Wimpey, and Sir Robert Davidson of Balfour Beatty

Eurotunnel to take to the air

By Raymond Snoddy

Eurotunnel, the operator of the channel tunnel, has been awarded a special commercial radio licence to broadcast travel news and music along the M20 motorway in Kent.

Channel Travel Radio, funded wholly by Eurotunnel, was awarded the restricted service licence for eight years by the

Radio Authority. "It's a service for Eurotunnel passengers, but we are required to give information about ferries too," the company said yesterday.

The licence was one of four awarded yesterday by the Authority. By far the largest was a new licence for central Scotland, the last of five new regional commercial licences to be awarded this year.

The licence went to Central Scotland

Radio, a company backed by Grampian Television. The new station, which plans to broadcast a mixture of talk and adult contemporary music, will cover Glasgow and Edinburgh and the areas around and between, reaching around 2.3m people. The Radio Authority also awarded two local radio licences for Manchester. Faze FM Radio will broadcast dance music and Fortitude will offer easy listening music.

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Rise of 25% in NHS managers

By Alan Pike, Social Affairs Correspondent

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Pit cuts stoke fears of more closures

British Coal yesterday told unions it expects to cut staffing by more than half at Ellington colliery, Northumberland, its last remaining pit in north-east England, Chris Tighe and Michael Smith write.

Mr Neil Clarke, chairman, also indicated there was a need for further pit closures. He said that plans by electricity generators to run down stocks had added pressure to the need to cut production. His remarks fuelled expectations that the corporation will announce further closures in the new year on top of the seven announced in the past two months.

At Ellington colliery unions were told that British Coal expected to cut 650 jobs by 1995, with 150 going by April. The pit employs 1,340 people.

Production in 1994-5 will be cut from the present annual total of 2.2m tonnes to 1.5m, probably requiring a further 100 redundancies. Further job losses were likely in 1995-6, reducing manpower to 550.

Meanwhile, British Coal is to offer cut-price coal to electricity generators at considerably less than production costs. It believes there will be no sales this financial year but is hopeful the generators will buy several million tonnes next year.

Even if it achieved that target, it is unlikely that more than 15 of the remaining 22 pits would remain open by the time British Coal is privatised at the end of next year or beginning of 1995.

Further threat to defence agency jobs

A further 400 jobs are likely to be cut at the government-owned Defence Research Agency on top of the loss of 2,000 jobs announced just over a year ago.

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Negative equity loan plan targets new clients

By Schoherazade Doneshidhu

Centrebank, the direct banking arm of Bank of Scotland, has launched what is believed to be the first loan scheme for homeowners caught in negative equity who are not existing customers.

A mortgage for the new property can be provided with a loan covering the deposit on the new house and the shortfall between the outstanding mortgage and the selling price of the old property. The loan is secured against the surrender value of the existing life policy. Borrowing is 0.5 of a percentage point above Centrebank's variable mortgage rate.

Abbey National has launched a negative equity scheme for existing borrowers. Up to £25,000 of negative equity can be transferred to a new mortgage.

Under Labour's protest even non-contentious legislation is

Labour wins first battle in MPs' war of attrition

Labour yesterday won the first skirmish in the war of attrition it has declared against the government - though the general who had sounded the battle cry late on Thursday night, Mr John Smith, was away in Ulster and missed the action.

Leftwing hardliners succeeded in halting a Commons debate on a Tory motion on business and industry, giving a measure proposed by Mr Ken Livingstone, the hard-left MP for London's Brent East, some unexpected debating time.

This small but morale-boosting victory came only 12 hours after the party announced it was breaking off all relations with the government.

The move was in protest at government plans to curtail debate on bills implementing changes to statutory sick pay and National Insurance contributions.

Under Labour's protest even non-contentious legislation is

being obstructed and the practice of "pairing" will end. Pairing permits MPs to miss a vote by being linked to a member in an opposing party who agrees to be absent as well. The system is often used late at night and on relatively uncontroversial issues.

It means in practice that hard-pressed government ministers and MPs in distant constituencies can get away with less time in Westminster than would otherwise be needed.

Government business managers believe the cushion provided by the government's 17-strong overall majority means that Labour's gesture will be an inconvenience rather than a serious problem. Senior government ministers will almost certainly not have to be called out of important international meetings and into Concorde to register a vote on relatively humdrum matters.

Managers believe there will be little effect on next week's

proceedings - which include the two guillotined bills - since much of it is subject to a three-line whip, meaning that pairing would not be permitted. MPs are in any case due to depart at the end of next week for their Christmas recess, returning only on January 11.

While Labour's declaration of war is not time-limited, government business managers think hostilities are unlikely to be extended far into the new year - not least because the new situation will also inconvenience Labour.

One Scottish Labour MP said last night that the additional hours in Westminster would not enable him to cut his constituency workload but would mean he would be more "worn out" than usual when he undertook it. Another Labour MP said the decision to sever relations was "a pain in the backside".

David Owen

BNF raises Thorp charges by 3% after opening delay

By Bronwen Maddox, Environment Correspondent

British Nuclear Fuels has warned foreign customers of its Thorp reprocessing plant that they will face a 3



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FINANCIAL TIMES

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NEWS: UK

Branson to launch no-profit bid for Lottery

By Raymond Snoddy

Mr Richard Branson is to launch a bid to run the National Lottery on a non-profit making basis.

Mr Branson has been working for some time on a plan for a commercial operating company which will hand profits to a charitable foundation.

He has always emphasised that he would only bid against rivals such as The Great British Lottery Com-

pany and Camelot to run the multi-billion pound lottery if he was certain he could offer a wholly commercial package.

Mr Branson's company will be the only one of the eight interested parties identified so far which will be bidding on a non-profit basis.

Mr Branson declined to comment yesterday, although an announcement is expected next week. He has always made it clear that he believes the UK National Lottery should

devote all its profits to good causes. The National Lottery is designed to raise money for five "good causes" in equal proportions - the arts, charities, the national heritage, a millennium fund and sport.

The British proposal to hand the running of a national lottery entirely to the private sector is unusual by international standards.

The Lottery Promotion Company, a lobbying group, argued recently: "The government believes that the

lottery will only achieve its full potential income if commercial profit is the motive of its operators, when a charitable basis for the operating company might yield more money and more enlightenment for the nation."

Mr Peter Davis, director-general of the National Lottery, will publish the final version of the invitation to apply and the draft licence the week after next.

Meanwhile, the winner of broad-

casting rights to the National Lottery is facing a problem over television coverage.

Most bidders have assumed that one of the main marketing tools in establishing the lottery will be a weekly prime-time television programme, which would build up to the draw for the multi-million-pound prize winners.

The Independent Television Commission has warned the National Heritage Department that under

existing rules such a programme would be impossible on ITV or Channel 4.

The ITC view is that the lottery is a commercial product and that a programme entirely devoted to the subject would amount to product placement, which would be ruled out by the 1990 Broadcasting Act.

The BBC said yesterday that it was keen to carry information on the National Lottery as a public service.

Tartan tidings to Iraq seized

Twelve corporate calendars bound for Iraq have been seized by Customs officers under the United Nations embargo on exports to Iraq.

Weir Group, the Glasgow-based engineering company, had sent out 8,000 calendars worldwide. The Iraq ban was held by the Customs and Excise seizure unit, which told Weir Group that the gift broke sanctions.

The company had been helping to build a sewage treatment works in Iraq when work was halted by the Gulf war. It sent the calendars to keep in touch with authorities in Iraq.

Customs and Excise said: "There is a total UN embargo on the export of all goods of any kind to Iraq. That means absolutely nothing goes - and we have to enforce that."

The company said yesterday: "We were shocked and flabbergasted."

"We agree with sanctions, but it does seem strange when they apply to business gifts like this."

"We have been given a month to decide whether to appeal, or otherwise they will be destroyed. But we are not going to appeal."

"All they show is typical Scottish scenes, and a different piece of tartan for each month."

Sacked printers lose test case

By Roland Adburgham, Wales and West Correspondent

Sacked workers at J.W. Arrowsmith, the Bristol printing company which has been picketed for nearly eight months, have had their claim for unfair dismissal rejected by an industrial tribunal.

About 120 staff - the majority of the workforce - were dismissed in April in a dispute over pay and conditions.

Three of the printers, supported by their union the GPMU, brought what was regarded as a test case to the tribunal. After a nine-day hearing, the tribunal ruled it did not have jurisdiction because the three had been offered back their jobs.

Arrowsmith had offered to re-employ the workers at their previous pay, but said it would no longer recognise the union. It said it could not afford to meet the demand for a £5.50 a week pay rise and the workers were dismissed after taking industrial action.

Mr John Price, GPMU branch officer, said yesterday that the picketing would continue while the situation was reassessed.

"Obviously we are disappointed we have lost the first round," he said. "We will be taking legal advice and the general secretary will decide how to progress the dispute. Even at this late stage, we want a negotiated settlement."

Trade gap rise may foreshadow import increase

By Peter Marsh, Economics Correspondent

A sharp rise in Britain's trade gap with the rest of the world has revived worries that imports might increase markedly as the domestic economy recovers.

The difference between imports and exports of merchandise goods and oil - the visible trade gap - came to £1,003bn in September, compared with £347m in August.

Even though the low August deficit is regarded as a statistical "blip", the relatively large gap in September suggests the recent narrowing this year in the difference between imports and exports could reverse.

Imports were valued at £11.3bn in September, up 4 per cent on August, while exports came to £10.3bn, down 2 per cent on the previous month.

According to the seasonally adjusted numbers from the Central Statistical Office, the trade gap for the first nine

months of the year was £8,522bn, compared with £13,406bn for the whole of 1992.

In last week's Budget statement the Treasury predicted a trade deficit of £11.5bn for the whole of this year, narrowing slightly to £11bn next year.

The CSO said that taking into account the "oddball" August deficit figure and other trends, the visible trade deficit "continues to narrow slightly" compared with last year.

In the third quarter the deficit was £2,380bn, after £3,056bn in the previous three months, and was the lowest quarterly number since early 1991.

Excluding oil and erratic items such as aircraft, ships and gems, the gap between imports and exports for the third quarter was £3,533bn, after £4,311bn in the second quarter. In September, the deficit measured in this manner was £1,289bn, up from £761m in August. In the third quarter the trade gap for manufactured goods was £1,174bn, compared

TRADE WITH COUNTRIES INSIDE AND OUTSIDE THE EU
Balance of payments basis (£m seasonally adjusted)

| | Exports | | | Imports | | | Visible balance | | | Current balance |
|-------|----------------|--------------------------|-------------|----------------|--------------------------|-------------|-----------------|--------------------------|-------------|-----------------|
| | European Union | Countries outside the EU | Whole world | European Union | Countries outside the EU | Whole world | European Union | Countries outside the EU | Whole world | |
| 1991 | 58,936 | 44,477 | 103,413 | 59,814 | 53,883 | 113,697 | -878 | -9,406 | -10,284 | -7,852 |
| 1992 | 60,385 | 48,682 | 109,067 | 64,022 | 56,431 | 120,453 | -3,647 | -13,406 | -17,053 | -8,620 |
| 1993 | | | | | | | | | | |
| Q1 | 18,466 | 13,570 | 32,036 | 18,447 | 16,765 | 35,212 | 19 | -3,085 | -3,078 | 512 |
| Q2 | 15,401 | 14,205 | 29,606 | 16,241 | 16,421 | 32,662 | -820 | -2,215 | -3,035 | 521 |
| Q3 | 16,229 | 14,602 | 30,831 | 16,228 | 16,895 | 33,221 | 3 | -2,393 | -2,390 | n/a |
| April | 5,037 | 4,877 | 9,914 | 5,341 | 5,545 | 10,886 | -304 | -858 | -1,172 | n/a |
| May | 5,156 | 4,666 | 9,821 | 5,383 | 5,408 | 10,771 | -227 | -743 | -970 | n/a |
| June | 5,208 | 4,863 | 10,071 | 5,537 | 5,488 | 11,025 | -329 | -605 | -934 | n/a |
| July | 5,151 | 4,847 | 9,998 | 5,447 | 5,581 | 11,028 | -296 | -744 | -1,040 | n/a |
| Aug | 5,616 | 4,905 | 10,521 | 5,235 | 5,633 | 10,868 | 398 | -728 | -347 | n/a |
| Sept | 5,462 | 4,850 | 10,312 | 5,544 | 5,771 | 11,315 | -312 | -921 | -1,233 | n/a |

with £1,678bn in the second quarter.

Although all trade figures this year have been affected by teething problems with a new European Union system of measuring imports and exports, the CSO said it was "confident" the third quarter numbers were sound. On a vol-

ume basis, which adjusts for price movements, exports excluding oil and erratics, rose 2 per cent in the third quarter compared with the previous three months, while the same measure of import volumes was flat. In the year to the third quarter of this year, exports on a corresponding

basis expanded 3.5 per cent, while import growth was just 0.5 per cent.

The figures indicate that Britain's trade with other EU countries has been better than with nations in the rest of the world. In the third quarter exports to the rest of the EU were slightly higher than

imports to the tune of £3m, while with countries outside the region, imports exceeded exports by £2,332bn.

In the third quarter export volumes to the rest of the EU, excluding oil and erratics, rose 2.5 per cent compared with the previous quarter, while imports declined 1.5 per cent.

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Employers deserting milk round

By John Authers

Graduate recruiters are abandoning the "milk round" of visits to universities to recruit students as competition for jobs increases, careers advisers said yesterday.

For every 100 bookings made with universities to meet students in 1990-91, only 38 were made this year, according to the Association of Graduate Careers Advisory Services. At the "new" universities, which were polytechnics until last

year, there have been only 24 bookings this year for every 100 in 1990-91.

Ms Margaret Wallis, president of the association, said employers wanted graduates who were prepared to take the initiative in looking for work.

Releasing its survey of destinations for graduates in 1992, the association said total graduate unemployment had risen to 12.9 per cent, from 11.5 per cent the previous year.

Employers in fact recruited more graduates in 1992: the

increased unemployment rate was caused by an rise of 9.7 per cent in graduate numbers.

Ms Wallis said unemployment rates for school-leavers showed there was still a strong incentive for sixth-formers to apply to university. The survey says pupils who leave schools in England and Wales with A-levels are twice as likely as a graduate to be unemployed and unqualified school-leavers three times as likely.

Despite this, the association claims that the rising graduate

unemployment figures of the last few years have deterred many employable graduates from applying for jobs.

Universities appeared to be taking vocational qualifications more seriously, with the proportion of BTec students continuing in higher education increasing from 28.8 per cent in 1990 to 31.7 per cent in 1992.

What Do Graduates Do? Billions Publishers' Distribution Service, Star Road, Partridge Green, West Sussex RH10 8LD, £4.95.

Nuclear group's policy push

By Michael Smith

Scottish Nuclear, the state-owned utility, yesterday risked the wrath of the government by launching a high-profile campaign promoting an energy policy which "balances the merits of the market with long-term sustainability".

The campaign, involving newspaper advertisements and the mailing to MPs and large companies of a 20-page document, comes as the govern-

ment prepares to publish the terms of its long-promised review of the nuclear industry.

Ministers are likely to view the campaign as an attack on their stated policy of relying on market forces to determine the sort of energy Britain uses.

The launch of Scottish Nuclear's campaign comes just two weeks after the government rebuked Nuclear Electric for pushing for privatisation of the industry.

Mr James Hann, Scottish Nuclear chairman, said yester-

day that the market framework needed to be adjusted to consider long-term energy concerns arising from population growth and global warming.

He said there was a danger that the UK would become too reliant on gas for its energy needs, with a steady decline in nuclear, coal and renewable electricity generation. Gas prices were likely to rise as a result, but by then it could be too late to go back to coal or nuclear generation.

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Three banks win marathon civil case over shares acquisition Maxwell ruled a fraudster

By John Mason,
Law Courts Correspondent

Robert Maxwell, the late publisher, misappropriated pension-fund assets and fraudulently dealt in a company's shares in a desperate attempt to prop up his ailing business empire, a High Court judge ruled yesterday.

Giving judgment on a civil action between Macmillan, a Maxwell group subsidiary, and three investment banks, Mr Justice Millett said the tycoon had been dishonest in his dealing in shares of Berlitz, the language school and publishing company. These were repeatedly used to raise money to repay debts within the Maxwell group of companies.

Ending the marathon litigation, the judge ruled in favour of the three banks - Lehman Brothers, Swiss Volksbank and Credit Suisse - saying they had honestly acquired the Berlitz shares which were later sold for more than \$187m.

That had been disputed by Macmillan which had begun the legal action in October last year to claim compensation. It had claimed the banks had known or suspected that the shares had been improperly acquired from Macmillan.

The judge, dismissing its claim, ruled that staff from all three banks - Mr Mark Haas and Mr Robert Price of Lehman Brothers, Mr Stephen Foster of Swiss Volksbank and Miss Julie Maitland of Credit Suisse - had acted honestly.

Mr Justice Millett said that before Mr Maxwell died in November 1991 the shares in both Mirror Group Newspapers and Maxwell Communication Corporation had steadily fallen in value. Mr Maxwell had to provide ever-increasing collateral to his bankers and lost substantial sums supporting the share price of the public companies.

"After his death it emerged that, in increasingly desperate attempts to prevent the col-

lapse of the group, he had resorted to whatever assets lay to hand, whether they belonged to the private side, the public companies, or even the group's pension funds," the judge continued.

"Many of these assets thus misappropriated, especially those whose proceeds were expended in the share-support operations, have been irretrievably lost."

Mr Maxwell transferred the ownership of the shares from Macmillan to Bishopsgate Investment Trust, another Maxwell company, on November 5 1990.

This was done with "fraudulent purpose" on Mr Maxwell's part so they could be used to raise money to support his private companies, and was against the interests of Macmillan. Mr Maxwell did not contemplate honest dealing with the shares for Macmillan's benefit, the judge said.

Within days, the first shares were offered to Credit Suisse as

security for a loan to one of Mr Maxwell's private companies.

The judge said: "The Berlitz shares were repeatedly used to secure the payment of debts owed to many different creditors, often being released from security by one creditor only to be immediately deposited by way of security with another."

All 1.9m shares held by Lehman Brothers were used as security for loans to Bishopsgate Investment Management, the fund manager of the Maxwell Group pension fund.

The 2.4m shares held by Swiss Volksbank were taken as collateral against a \$85m loan to one of Mr Maxwell's private companies. The 1.5m shares held by Credit Suisse were taken as security for a £50m loan to the private companies.

After the hearing Lehman issued a statement saying: "Our belief that we acted entirely properly in our dealings with the Maxwell group of companies has been fully justified."

Women's share of public jobs rises 2%

By Robert Taylor,
Labour Correspondent

An estimated 40 per cent of appointments to public bodies made by ministers during the past 12 months have gone to women, it was announced yesterday by the Cabinet Office.

Mr William Waldegrave, the minister responsible for public services, said the rise was a welcome improvement. "This... demonstrates our continuing efforts to ensure women can play their proper part in our public life," he said.

Women now make up 28.2 per cent or 12,007 of the mainly part-time and unpaid posts on public bodies. The posts include health authorities, industrial and rent assessment tribunals and consumer organisations. This represents a 2 per cent increase since September last year.

Mr John Major, the prime minister, wants to see women make up between a third and a half of all public-service appointments. At present about 35 per cent of the 5,000-strong list of people seen as "suitable for appointments at national and local level" are women.

The Cabinet Office also disclosed yesterday that 2.3 per cent of public appointments are held by ethnic minorities - a rise of 0.3 per cent over the previous 12 months. At present an estimated 5 per cent of the economically active population are members of ethnic minorities.

The government aims to increase the number of people from ethnic minorities in public-service appointments so that it "more closely reflects" their contribution to national life.



A portrait by El Greco, the only one by him of a woman likely to appear on the market, sold for £1.7m at Christie's yesterday. Anthony Thwaites writes. The price was double the estimate and was a record for the artist. The sitter is believed to have been his daughter-in-law. The portrait was painted in the 1580s. It sold at Christie's in 1981, with another picture, for three guineas and was sold yesterday by the estate of the late Mary, Viscountess Rothermere. The Old Master auction brought in £10.9m in total.

Soluble nappies ready for market

A Norfolk-based company plans to market a soluble and biodegradable film which will allow nappies and feminine hygiene products to be safely flushed down the toilet.

Film Technology is seeking a worldwide patent on the composite film, known as B9, which will be launched in the new year. It would be used to replace the outer plastic film found in current brands.

More than 8bn disposable nappies are used in Britain each year, creating an estimated 70,000 tons of waste. About 40bn are used annually worldwide.

The company, based near Thetford, says the nappy film is impervious to water on its inner side. But that breaks down when it is flushed away and the nappy changes into a biodegradable "slurry".

BT directory probe is halted

The Office of Fair Trading has suspended its investigation into claims that British Telecommunications manages its telephone directory business in a way unfair to customers and competitors.

But Sir Bryan Carsberg, director-general of fair trading, said he was doing so only to allow OfTel, the telecommunications regulator, to investigate the issues first.

Sir Bryan said he remained concerned about BT's policy of obliging customers to buy directories and including the cost in the line rental charge. He also wanted OfTel to examine the cost and other obstacles faced by competitors in getting customers' telephone numbers into BT directories.

Council wins in Sunday shops case

Lincoln City Council was yesterday awarded a High Court injunction against the town's Currys electrical store to stop it trading on Sundays.

Mr Justice Lindsay said he knew of no precedent for a court "staying its hand" simply because a change in the law was imminent.

Welsh port put into receivership

Pembroke port in West Wales has gone into administrative receivership.

Port of Pembroke, a subsidiary of Govan Davies and formerly a naval dockyard, was developed in 1988 as a deep-water dock with cold-storage facilities. It employs about 45 people.

Primary school classes grow

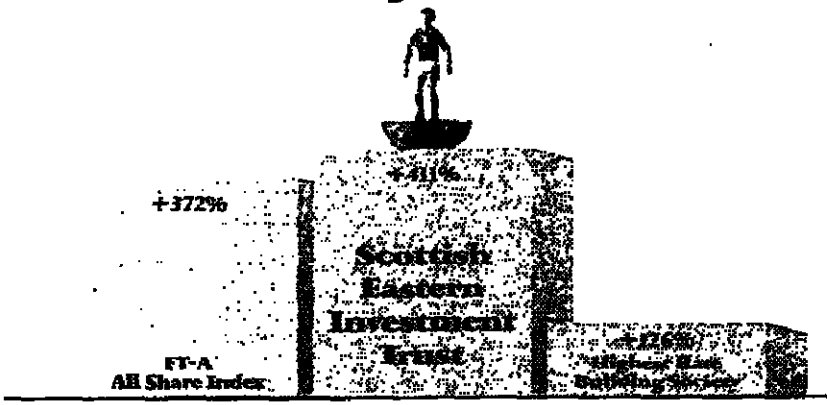
The number of primary school children in England taught in classes of more than 30 rose by 6.23 per cent last year.

A parliamentary answer to Mrs Ann Taylor, Labour's education spokeswoman, shows that 1,142m primary school pupils were in classes of more than 30 in January this year, up from 1,075m last January.

Link road opened

Mr Tim Sainsbury, industry minister, yesterday opened part of a £50m spine road in Bristol. The 2km road, due for completion next summer, links the M32 with the A4.

Here's a Scottish international which has performed well over the years.



Without naming names, the past decade has probably seen more than its fair share of financial mishaps. A sobering thought for any potential investor nowadays.

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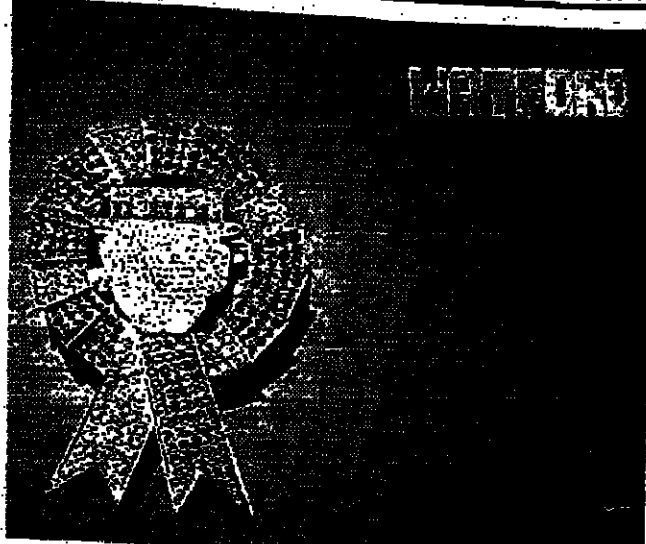
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| Commodity | Unit | Price | Commodity | Unit | Price |
|----------------------|------|----------|-----------------------|------|-------|
| Gold | 100g | 1,117.10 | Wheat | 100g | 18.00 |
| Silver | 100g | 18.00 | Barley | 100g | 18.00 |
| Copper | 100g | 18.00 | Oats | 100g | 18.00 |
| Aluminium | 100g | 18.00 | Rice | 100g | 18.00 |
| Lead | 100g | 18.00 | Beans | 100g | 18.00 |
| Zinc | 100g | 18.00 | Peas | 100g | 18.00 |
| Nickel | 100g | 18.00 | Lentils | 100g | 18.00 |
| Platinum | 100g | 18.00 | Mustard | 100g | 18.00 |
| Palladium | 100g | 18.00 | Flour | 100g | 18.00 |
| Iron Ore | 100g | 18.00 | Sugar | 100g | 18.00 |
| Crude Oil | 100g | 18.00 | Coffee | 100g | 18.00 |
| Heating Oil | 100g | 18.00 | Tea | 100g | 18.00 |
| Gas | 100g | 18.00 | Herbal | 100g | 18.00 |
| Coal | 100g | 18.00 | Spices | 100g | 18.00 |
| Timber | 100g | 18.00 | Medicines | 100g | 18.00 |
| Wool | 100g | 18.00 | Alcohol | 100g | 18.00 |
| Stainless Steel | 100g | 18.00 | Drugs | 100g | 18.00 |
| Brass | 100g | 18.00 | Supplements | 100g | 18.00 |
| Copper Wire | 100g | 18.00 | Herbs | 100g | 18.00 |
| Aluminium Wire | 100g | 18.00 | Essences | 100g | 18.00 |
| Steel Wire | 100g | 18.00 | Oils | 100g | 18.00 |
| Lead Wire | 100g | 18.00 | Vitamins | 100g | 18.00 |
| Zinc Wire | 100g | 18.00 | Minerals | 100g | 18.00 |
| Nickel Wire | 100g | 18.00 | Enzymes | 100g | 18.00 |
| Platinum Wire | 100g | 18.00 | Proteins | 100g | 18.00 |
| Palladium Wire | 100g | 18.00 | Amino Acids | 100g | 18.00 |
| Iron Wire | 100g | 18.00 | Carbohydrates | 100g | 18.00 |
| Crude Wire | 100g | 18.00 | Fats | 100g | 18.00 |
| Heating Wire | 100g | 18.00 | Sterols | 100g | 18.00 |
| Gas Wire | 100g | 18.00 | Phytosterols | 100g | 18.00 |
| Coal Wire | 100g | 18.00 | Essential Fatty Acids | 100g | 18.00 |
| Timber Wire | 100g | 18.00 | Omega-3 Fatty Acids | 100g | 18.00 |
| Wool Wire | 100g | 18.00 | Antioxidants | 100g | 18.00 |
| Stainless Steel Wire | 100g | 18.00 | Herbal Extracts | 100g | 18.00 |
| Brass Wire | 100g | 18.00 | Spice Blends | 100g | 18.00 |
| Copper Wire | 100g | 18.00 | Flavourings | 100g | 18.00 |
| Aluminium Wire | 100g | 18.00 | Preservatives | 100g | 18.00 |
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| Zinc Wire | 100g | 18.00 | Thickeners | 100g | 18.00 |
| Nickel Wire | 100g | 18.00 | Colorants | 100g | 18.00 |
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Not the average football fan's regalia: Pop Star Elton John's Watford rose in ruby, sapphire and diamond, plus gold brooch

Still a girl's best friend

Antony Thorncroft on the new sparkle in jewel prices

On Tuesday Elton John will have a clear-cut at Sotheby's. Nothing fancy, just odds and ends, like the Cartier brooch designed as a Watford Football Club rose, the Tiffany brooch spelling out the singer's name in diamonds, and a diamond-encrusted walking cane. John, a magpie collector, periodically sells off pieces he no longer wears, and these should add another £750,000 to his millions.

Or perhaps rather more. Jewels - both jewellery as well as unset cut and polished stones - have been the unexpected salvation of the auction houses in 1993. While other works of art have selective markets, the appeal of jewels has been wider. Moreover, good Impressionist pictures have recently been as rare as gold dust; demand for Old Masters has been disappointing; and contemporary art remains a tricky market.

This year's big November jewel sales held by Sotheby's and Christie's in Geneva were the most successful in years. Sotheby's brought in almost \$70m from four sessions, including the \$11.8m paid for a 100.36 carat diamond, the second-highest dollar price ever paid for a stone. Christie's totalled \$41.4m, and sold the Archduke Diamond, a 78.54 carat stone once owned by Archduke Joseph of Austria, for \$6.4m.

No two stones are exactly the same, but Francois Curjel, head of Christie's jewellery department, offers a guide to the recent price increases. "Before the summer a 20 carat diamond, rectangular, D-colour (the best), and flawless, made around \$47,000 a carat. In November it was going for nearer \$62,000 a carat."

Curjel had sensed that demand was growing and approached big cutters in Antwerp and Amsterdam, who convert rough diamonds into gleaming jewels, asking if they had any large stones for sale. He was sent seven such stones and they sold, making on average 12½ per cent more than the sellers' minimum prices. Noting a number of unsuccessful bidders, Mr Curjel will be going back to the cutters for more diamonds to offer at St Moritz in February to try to catch the super rich in a relaxed mood.

With new buyers competing for the finest items, the auctions last month resembled the heady days of the late 1980s when Japanese buyers pushed prices for Impressionist and Modern paintings to unsustainable heights. This year's jewels will rival post-1970 art as the largest sector of the international art market, contributing more than \$200m, or about a fifth, to the turnover

of people receiving large doses. Using the same methodology, it is possible to claim that nearly 1m people worldwide will eventually die as a result of the use of medical radiation over the coming ten years. On a similar basis, it can be stated that natural background radiation will cause 650,000 deaths for every year that the population is exposed to it and the extra cosmic radiation received by flying in passenger aircraft will cause 510 extra deaths.

Moreover, failure to open Thorp would merely transfer any theoretical deaths to another cause; for example, to mine fresh uranium which would otherwise be recycled at Thorp would lead to nearly ten times more theoretical deaths. Coal stations, oil stations and gas stations will also result in at least as many theoretical deaths for the same amount of electricity production.

D J Coulston, director, health, safety and environmental protection, British Nuclear Fuels, Risley, Warrington, Cheshire WA3 6AS

By giving a Gatt accord - or at least that portion of it agreed between Europe and the US - to his semi-benediction, Edouard Balladur, the French prime minister, has gone too far to draw back.

Certainly, his domestic constituency requires him to remain more vigilant than other European leaders about tying up loose ends at Gatt's headquarters in Geneva in sectors such as textiles and aerospace. And while France remains alone on audiovisual broadcasting - the one seriously emotional dispute with the US still unresolved - Mr Balladur has always acknowledged his fear of letting Gatt isolate France from its European Union partners.

That is also why, in his quest for stronger EU defences against dumping and commercial retaliatory powers, as well as for EU guarantees that a Gatt deal will not push more French farm land out of production, he must settle for whatever his partners offer. If they offer nothing, French ministers and officials still claim in private that Paris will not sign a Gatt deal. But any attempt by the French to pin the blame for a Gatt failure on fellow Europeans would risk turning France's potential isolation inside Europe into actual ostracism.

By contrast, the chances of Mr Balladur facing a domestic political crisis over Gatt have sharply diminished. Furiously punching their pocket calculators, the farmers are now engaged in a numbers war with the government. The latter wants the success in getting the Blair House cut phased in more gently, allowing EU farmers 8.1m more tonnes of wheat and flour to dump on the world market over the next six years, a period that covers France's 1995 presidential election. Not good enough, say the farmers, because the reduction by 2000 is unchanged from that earlier agreed with the US.

Grumble though they will for months to come, however, the farmers will almost certainly not exert enough pressure on their deputies to bring down Mr Balladur in next week's parliamentary vote. Mr Balladur has virtually ensured this

The possibility of the French prime minister facing a domestic political crisis over Gatt has diminished, says David Buchan

Balladur's bravura balancing act



back-of-hand whispers to journalists, it was not surprising that the balance of the Gatt argument in the press has, until recently, been in favour of protectionism, or at least a more ordered world market. This Gallic craving for order has led to the heavy French

emphasis on the need to complete what Gatt began in 1947 with a stronger world trade organisation. Using a new world trade body to restrain the unilateralism of US administrations, and especially Congress, has been a common French and European

goal. Where the French have differed from other Europeans has been in depicting so many other issues in the Uruguay Round as a struggle with the US alone.

French newspaper readers have thus been shielded from the awkward knowledge that opposition to its farmers' stance has gone well beyond the US, for instance to the 14-strong Cairns Group of medium-sized food exporters, chaired by Australia. One exception was *Liberation's* reprint of an Australian press headline, "Fous les français" ("The bloody French"). When it has been convenient to have messages from the rest of the world relayed in the press, such as that of this autumn's summit of French-speaking countries endorsing France's demand to keep culture out of Gatt.

But all this general anti-Gatt sentiment is dissolving now into a national mood of compromise, for three reasons. First, Mr Balladur has deliberately helped to exhaust his co-citizens' interest in Gatt by consulting everyone in sight on the topic. More specifically, he has embraced the farmers in a regular dialogue which has produced extra public money (FFRs) for them, though no agreement from them. The upshot is that most of Mr Balladur's backbenchers believe the government has at least given the farmers a fair hearing, if not fair treatment.

Second, Mr Balladur has helped detach trade from the unemployment issue, the country's biggest concern. He argues the main reason why 3.54m French are out of work is home-grown and related to the high cost of labour compounded by steep welfare taxes. This argument has

helped to exonerate Gatt as a scapegoat for unemployment. Backing this up is a recent study by Mr Claude Vimont, a Paris university professor, that job losses in French industry that can be directly attributed to low-cost import competition amount to only 350,000 over the past 10 years.

Third, France listens to voices from across the Rhine. And German industry and politicians have been quietly urging a Gatt accord on their French counterparts. Chancellor Helmut Kohl will have been telling President Francois Mitterrand and Mr Balladur the same thing in Brussels yesterday and today. The latter cannot gaily say that it is the prospect of a Gatt deal that has brought the franc back up to where it was against the D-Mark before last August's monetary crisis.

If Mr Balladur does finesse a Gatt agreement, putting France's signature to free world trade without provoking a storm at home, there are several important consequences. It gives him an option to run for president in 18 months, and might even put him in the Elysee, if the French public judges he has pulled off something valuable in a way Mr Chirac could not have done. Even if he bows to Mr Chirac's more naked presidential ambitions, Mr Balladur will be seen as the man who in 1993 helped integrate his country into the world economy, just as 10 years earlier France abandoned the strategy of socialism-in-one-country and turned decisively towards Europe.

By contrast, France's behaviour in the Uruguay Round has a more ominous portent for future Gatt rounds. France is determined that EU national governments and parliaments should exert far more influence on how Brussels negotiates with the outside world.

This may be democratically proper and squares with the prevalent post-Maastricht treaty mood. However, it spells an end, in any future Gatt round, to the negotiating leeway that the Brussels Commission had in the Dillon, Kennedy and Tokyo Rounds, and for much of the Uruguay Round. This, in turn, will make the EU harder to deal with for the rest of the world.

Smart money riding on a plastic card

John Gapper on a step towards the global cashless society

It is Monday morning. Ms Jane Smith arrives at Heathrow at 8am after taking a cab from her west London home. She has no notes in her handbag, or change in her purse. It does not matter. She hands the driver a plastic card instead. He inserts it in a slot by the meter and deducts the exact fare.

When she arrives in Frankfurt for her business meeting, she buys a German newspaper at a kiosk, using the same card. She obtained DM30 earlier by inserting the card in a telephone at her home. It dialled her bank, and transferred the sum from his account onto a computer chip on the card.

Her 15-year-old son John is at home. It is the school holidays, and he is bored. He hires a video game for an hour by dialling a local hire shop, paying by inserting his card in the telephone. His mother earlier transferred £10 to his card from hers using a device that looks like a calculator. It is the year 2010, and the global cashless society has arrived. The local bank no longer has queues of customers because all small businesses use electronic cash. Banks have just announced huge leaps in profits after finally eliminating the cost of carrying money around.

This vision came a step closer this week when National Westminster Bank revealed plans to test a smart card, called Mondex. It will give cards to up to 30,000 people in Swindon. With adapting public telephones and cash machines in the town to allow people to transfer electronic money. It is a tempting prospect for banks and retailers, which bear the cost of cash. The UK banks estimate that they spend £2bn a year on cash distribution, and one study put the cost to retailers at £200m a year. Swapping

paper and metal for electronic impulses would save huge sums.

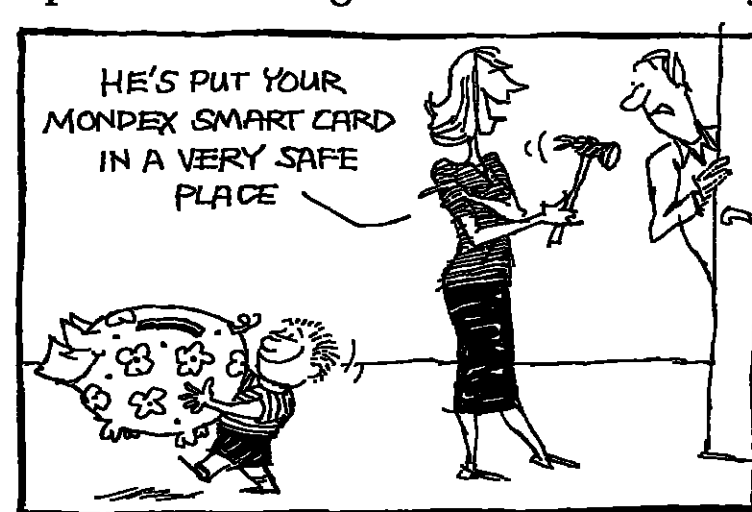
The question is will people want the card? As Mr Tim Jones, the NatWest executive who jointly invented Mondex admits, money tokens have been around for hundreds of years because they are very convenient. "Cash is a great product," says the man who is trying to eliminate it.

The attractions for banks and retailers go beyond saving money. In at least two ways, cash cards might help expand revenues. One is that they do not involve credit, and so can be given to everyone. The second is that they are well-suited to paying for new multi-media products such as interactive television.

The first point is a rather delicate one. Mr Bert Morris, NatWest's deputy chief executive, bristles at the notion that Mondex will be a down-market debit card. Nonetheless, many of the market opportunities that banks cite involve groups like young people who are not trusted with other cards.

Retail outlets that depend overwhelmingly on cash payments for small transactions, such as fast-food outlets and video stores, may welcome cash cards. But it is questionable whether the young people who spend money there will buy more products simply because they can use a card instead of cash.

The second point may be more significant. As telecoms and media companies scramble to form alliances to sell films and media products down telephone lines, smart cards look attractive as a means of payment. Money can be transferred over a line at the same time as a product is



ordered. This is why British Telecom is working with NatWest and Midland Bank on the Mondex project.

Mr Bruce Bond, BT's director of products and services management, says the Mondex card is a good means of payment for multi-media products "that we believe are going to explode".

Some observers believe the implications go further. Mr Robb Willmot of the Oasis consultancy group says consumers could use smart cards to search databases for information on the cheapest air fare or the best hotel deal before ordering and paying with a single transaction.

It is, then, hardly surprising that Mondex was unveiled with such fanfare this week. But the short history of smart cards in other countries is

littered with disappointments. This has usually been because it has been difficult to persuade consumers that they should switch to electronic cash payments.

One example in Holland was a pilot scheme in the town of Woerden near Utrecht between 1989 and 1991, in which only 3 per cent of purchases were made by smart card compared with the 15 per cent target the banks had set. People did not use cards for small transactions in busy shops.

NatWest has attempted to avoid this problem with what is a large gamble. Transactions in other smart card schemes are authorised when the consumer taps a PIN number into a machine. But NatWest has made Mondex exactly equivalent to cash by eliminating this security device.

Thus if a person loses their card, whoever picks it up can spend their money with no barriers. The only security safeguard is that cards can be electronically "locked" at telephones, using a PIN number. If Ms Smith has set off for Europe with an unlocked card, the risk is hers.

The bank argues that this is the same as carrying cash. Yet consumers could be wary about using cards with little bulk that hold large amounts in various currencies. The experiment in Swindon will show whether the bank has made the correct gamble, and whether the electronic system is safe from fraudsters breaking the computer code on the microchip.

An even larger problem is pricing. Banks currently do not charge customers in credit for the costs of cash handling. Yet the cost of smart technology could be high. The wholesale cost of smart cards is about £5 each and that of a telephone with a card reader for use at home is about £140.

Banks would probably try to charge customers at least for the associated equipment such as telephones, although NatWest says it has not yet decided how to finance its scheme. But consumers might question why they should pay for an intricate cash substitute that could save banks huge sums when notes and coins are both free and easily understood.

As Mr Willmot puts it, smart cards like Mondex offer banks a chance to "transfer a lot of labour effort and management activity to the consumer". The people of Swindon will soon demonstrate whether they are any more willing than the citizens of Woerden to accept such a burden.

Argument about cancer deaths too simplistic

From Mr D J Coulston.
Sir, It is far too simplistic to claim that "200 people worldwide may die in the long term as a result of cancer caused by radioactive discharges from Sellafield" ("Sellafield cancer deaths put at 200 worldwide", November 8). We have been saying this for weeks and, indeed, the radioactive waste management advisory committee, on whose letter to environment minister Tim Yeo the article was based, did as well.

The committee said, in its letter, that the calculation of notional deaths from radioactivity exposure "carries with it no certainty, and it is incorrect to state that 'people will die'". It also said that Greenpeace's use of these "theoretical deaths" statistics was "misleading".

I agree entirely because not a single actual death may occur. The theory of collective doses is based upon the assumption that there will be the same number of deaths from a large number of people receiving low doses of radiation as there would be from a small number

of people receiving large doses.

Using the same methodology, it is possible to claim that nearly 1m people worldwide will eventually die as a result of the use of medical radiation over the coming ten years. On a similar basis, it can be stated that natural background radiation will cause 650,000 deaths for every year that the population is exposed to it and the extra cosmic radiation received by flying in passenger aircraft will cause 510 extra deaths.

Moreover, failure to open Thorp would merely transfer any theoretical deaths to another cause; for example, to mine fresh uranium which would otherwise be recycled at Thorp would lead to nearly ten times more theoretical deaths. Coal stations, oil stations and gas stations will also result in at least as many theoretical deaths for the same amount of electricity production.

D J Coulston, director, health, safety and environmental protection, British Nuclear Fuels, Risley, Warrington, Cheshire WA3 6AS

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Apportioning pension blame

From Mr E M R Price.
Sir, Tom Stocksmith makes an important point in his letter ("SIB tackling pensions transfer problem from wrong end", December 7) and one which must be of concern to all actuaries. But the bottom line surely is that anyone who holds himself out as a financial adviser should know that in all probability a cash equivalent is not equivalent to the deferred benefits given up and should advise accordingly. It is that of the problem which is being tackled - and rightly so, K M R Price, actuary, NPU Mutual & Avon Group, Tiddington Road, Stratford-upon-Avon CV 37 7BJ

From Mr Nigel Chambers.
Sir, I am concerned that the publicity given to the Securities and Investments Board's pension transfer review implies that all the wrongdoing

lies with the insurance companies and promoters of personal pensions. Their sales people may be guilty of the sins of commission but I believe that the occupational pension schemes must bear some responsibility for sins of omission.

What type of pension scheme is it that has so badly presented the benefits it can offer to employees that they can be so easily sold a personal pension policy? What warnings were issues to the employee, ex-employee, or their adviser prior to the transfer from the scheme? Were the alternative benefits - which may indeed have been superior - properly presented?

Why should the whole burden for compensation be put on the insurance company, especially when it seems that some schemes are asking for exorbitant amounts before reinstating members' benefits?

Why, indeed, should schemes be allowed to refuse to take back employees who have made an incorrect decision? Would it not be possible for the government to amend the appropriate legislation or Inland Revenue rules?

Obviously, if wrong advice is given, insurance companies should pay the appropriate costs. However, many pension schemes, and the employers which bear their cost, will have benefited because of a decision to transfer away from the scheme. If compensation is to be paid, I trust it will be calculated in such a way that no party will be better off financially. I hope the new SIB advisory committee will address these issues.

Nigel Chambers, Chambers Townsend Consultancy, Leamington House, Masons Avenue, Croydon, Surrey CR0 9XS

Migraine factor

From Dr Michael Gross.
Sir, In an otherwise excellent review on employee health (December 6) you failed to mention the major problem of migraine, which affects up to 12 per cent of the population at some time in their life. It results in absenteeism with indirect costs estimated at £1bn annually in the UK alone.

Education initiatives are currently exploring the true impact of migraine as a measure of severity of pain and the disability it causes. With the advent of new acute treatments and preventative strategies, it becomes necessary to inform sufferers that they can be helped and that they are likely to receive a much more sympathetic approach than was once the case.

Michael Gross, consultant neurologist, Royal and East Surrey Neurology Research Unit, Royal Surrey County Hospital, Guildford, Surrey GU2 8XX

Crestfallen investors

From J D Wittle.
Sir, It is now generally accepted that the Crest share settlement system will disadvantage the private investor while increasing his costs of dealing. The Bank of England has virtually abandoned him to his fate on the grounds that a more efficient method of handling Stock Exchange transactions is necessary. The result will be to drive the few remaining private investors into the ever-open arms of the institutions. Is this what this government, supposedly committed to wider share ownership, wants? On the premise that it is better to ask a silly question than a fool for five minutes than remain silent and a fool forever, I ask: "Why do we need Crest?"

The clamour for change started with the chaos induced by the large privatisation issues, mainly BT, which overwhelmed the existing system with a deluge of paper work. With all major privatisation issues now behind us that situation is not likely to recur. Furthermore, this so-called paperless system appears to me to produce nearly as much paper as that which it replaces.

The government has remained strangely silent on this issue. Is it not time that the Treasury spoke up in defence of the private investor? J D Wittle, 16 Parry's Close, Stoke Bishop, Bristol BS9 1AW

Treasury could warm to task

From Mr T D Snow.
Sir, The FT supplement on energy efficiency (December 7) reports MP's concern that government should "lead by action".

The earlier article about Sir Terry Burns, permanent secretary to the Treasury, gives a

clue as to where it might start. According to your reporter his office is "overheated". T D Snow, Mandar, management, design and information services, 38 Cathedral Road, Cardiff CF1 9PQ

Sweden merges Gota and Nordbanken ahead of sale

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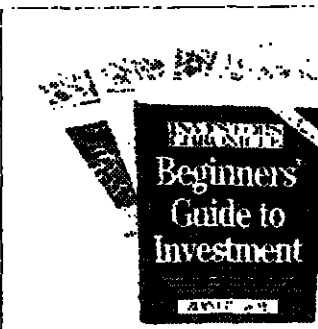
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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Economic factors lift metals

London Metal Exchange markets put in their most impressive ensemble performance for months as price rises ranged this week from tin's 3.1 per cent to nickel's 9.3 per cent.

Outstanding in the early action was nickel, which was boosted by a report, later denied, of a strike at Norilsk, the Russian smelting company that produces the equivalent of nearly 40 per cent of western requirements. But as the run continued it was aluminium that took over the leading role, breaking down successive technical barriers.

Performing creditably throughout was lead, which, almost alone among the LME contracts, was principally supported by fundamental factors - continuing supply tightness in concentrates and buoyant demand from car battery makers as the northern winter deepened.

For the rest dealers attributed the more bullish sentiment to general economic factors, particularly improving US indicators, and the widely-held belief that the markets had already seen the low points of their recent downturns. The cautious optimism thus engendered was the more readily translated into positive action, the dealers explained, thanks to the current cheapness of credit.

"For example," said London trade house GNI, in one of its daily market reports, "to fund a nickel position with a stop [stop-loss selling order] below \$4,000 [a tonne - the recent LME low] will accrue just \$35 a tonne in funding costs for a year, low for a market where historically prices have shot up to \$20,000 in the not so distant past."

Similar considerations were thought to have influenced the buyers who drove the silver price back above \$5 a troy ounce this week. Gold was

towed higher in silver's wake, in spite of its status as an inflation hedge. Platinum, although now firmly established as an industrial metal, could not match silver's strength, presumably because it is heavily dependent on demand from Japan, where the recession is still deepening.

Dealers said silver was continuing to attract keen interest from US investment funds as hopes of a further weakening of inflationary pressure were encouraged by a renewed slide in oil prices.

A tentative rally in oil prices was halted in mid-week after the market was warned not to look to the Organisation for Petroleum Exporting Countries

LME WAREHOUSES STOCKS (as at Thursday's close)

| Commodity | Stock | Change |
|-----------------|--------|--------------|
| Aluminium | +2,150 | to 2,399,450 |
| Aluminium alloy | +100 | to 40,800 |
| Copper | +100 | to 10,000 |
| Lead | +1,050 | to 290,000 |
| Nickel | +100 | to 100,000 |
| Platinum | +1,000 | to 10,000 |
| Silver | +1,000 | to 10,000 |
| Tin | +1,000 | to 10,000 |

for a "miracle solution" to the oversupply that was weighing down the market. Mr Abdullah Al-Ahmad, the cartel's president, also suggested that it was time for non-Opec exporters to shoulder some of the burden of supporting oil prices.

Mr al-Ahmad's remarks, made after informal talks in Damascus with other Opec ministers, including Mr Hisham Nazar of Saudi Arabia, the biggest exporter, appeared to have extinguished any lingering hopes that Opec producers might yet rally round to bolster prices this winter by cutting the cartel's 24.5m-barrel-a-day production ceiling.

The ceiling, set in September, was left unchanged after last month's ministerial meeting, precipitating the latest decline in prices to five-year lows.

At the London Commodity Exchange cocoa prices were held steady until yesterday, in spite of slack demand, by concern about the situation in the Ivory Coast, the biggest producer, following the death of President Felix Houphouët-Boigny.

Richard Mooney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Arranged Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1116.5-17.5 1136.5-37.5

Previous 1027.5-28.5 1127-28

High/Low 1116.5-1115 1143.1-121

AM Official 1114.5-15 1135-35.5

Kerb close 1136-37 1136-37

Open int. 278,500

Total daily turnover 73,425

■ ALUMINIUM ALLOY (\$ per tonne)

Close 949-951 953-75

Previous 949-951 953-75

High/Low 949-951 953-75

AM Official 949-951 953-75

Kerb close 953-75 953-75

Open int. 2,565

Total daily turnover 981

■ LEAD (\$ per tonne)

Close 456.5-50.5 473-74

Previous 456.5-50.5 473-74

High/Low 456.5-50.5 473-74

AM Official 456.5-50.5 473-74

Kerb close 456.5-50.5 473-74

Open int. 30,598

Total daily turnover 5,529

■ NICKEL (\$ per tonne)

Close 5165-75 5225-30

Previous 5165-75 5225-30

High/Low 5165-75 5225-30

AM Official 5165-75 5225-30

Kerb close 5165-75 5225-30

Open int. 49,354

Total daily turnover 7,988

■ TIN (\$ per tonne)

Close 4880-85 4910-15

Previous 4880-85 4910-15

High/Low 4880-85 4910-15

AM Official 4880-85 4910-15

Kerb close 4880-85 4910-15

Open int. 99,047

Total daily turnover 21,829

■ COPPER, GRADE A (\$ per tonne)

Close 1004-05 1021.5-22

Previous 1004-05 1021.5-22

High/Low 1004-05 1021.5-22

AM Official 1004-05 1021.5-22

Kerb close 1004-05 1021.5-22

Open int. 99,047

Total daily turnover 21,829

■ LME ALUMINUM 3 mths 1.4860 6 mths 1.4834 9 mths 1.4785

LME CLOSING 2/5 RATE 1.4948

■ HIGH GRADE COPPER (COMEX)

Close 34.25 34.25

Previous 34.25 34.25

High/Low 34.25 34.25

AM Official 34.25 34.25

Kerb close 34.25 34.25

Open int. 1,211

Total daily turnover 56-81

■ NEW SOVEREIGN

Close 56-81 56-81

Previous 56-81 56-81

High/Low 56-81 56-81

AM Official 56-81 56-81

Kerb close 56-81 56-81

Open int. 56-81

Total daily turnover 56-81

■ NEW SOVEREIGN

Close 56-81 56-81

Previous 56-81 56-81

High/Low 56-81 56-81

AM Official 56-81 56-81

Kerb close 56-81 56-81

Open int. 56-81

Total daily turnover 56-81

■ NEW SOVEREIGN

Close 56-81 56-81

Previous 56-81 56-81

High/Low 56-81 56-81

AM Official 56-81 56-81

Kerb close 56-81 56-81

Open int. 56-81

Total daily turnover 56-81

■ NEW SOVEREIGN

Close 56-81 56-81

Previous 56-81 56-81

High/Low 56-81 56-81

AM Official 56-81 56-81

Kerb close 56-81 56-81

Open int. 56-81

Total daily turnover 56-81

■ NEW SOVEREIGN

Close 56-81 56-81

Previous 56-81 56-81

High/Low 56-81 56-81

AM Official 56-81 56-81

Kerb close 56-81 56-81

Open int. 56-81

Total daily turnover 56-81

Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

Dec 382.2 -0.8 384.0 382.0 389 216

Jan 383.0 -0.5 385.5 383.5 1 0

Feb 384.0 -0.5 386.5 384.5 20,552

Mar 385.0 -0.5 387.5 385.5 12,444

Apr 386.0 -0.5 388.5 386.5 21,564

May 387.0 -0.5 389.5 387.5 3,516

Jun 388.0 -0.5 390.5 388.5 1,516

Jul 389.0 -0.5 391.5 389.5 1,516

Aug 390.0 -0.5 392.5 390.5 1,516

Sep 391.0 -0.5 393.5 391.5 1,516

Oct 392.0 -0.5 394.5 392.5 1,516

Nov 393.0 -0.5 395.5 393.5 1,516

Dec 394.0 -0.5 396.5 394.5 1,516

Jan 395.0 -0.5 397.5 395.5 1,516

Feb 396.0 -0.5 398.5 396.5 1,516

Mar 397.0 -0.5 399.5 397.5 1,516

Apr 398.0 -0.5 400.5 398.5 1,516

May 399.0 -0.5 401.5 399.5 1,516

Jun 400.0 -0.5 402.5 400.5 1,516

Jul 401.0 -0.5 403.5 401.5 1,516

Aug 402.0 -0.5 404.5 402.5 1,516

Sep 403.0 -0.5 405.5 403.5 1,516

Oct 404.0 -0.5 406.5 404.5 1,516

Nov 405.0 -0.5 407.5 405.5 1,516

Dec 406.0 -0.5 408.5 406.5 1,516

Jan 407.0 -0.5 409.5 407.5 1,516

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CURRENCIES AND MONEY

MARKETS REPORT

D-Mark rises

The D-Mark recouped some of its recent losses against the other currencies in Europe's exchange rate mechanism and firmed markedly against the US dollar, writes *Comer Middle East*.

After posting sharp gains against the D-Mark, the French and Belgian francs and the Danish krone edged lower on Dec 10 in New York.

profit-taking ahead of the weekend, during which EC and US leaders will meet in Brussels and Geneva to discuss the GATT world trade talks.

"Given the high-level talks over the weekend, most people didn't want to risk running large positions," said Mr Keith Edwards, chief analyst at IBI International.

The French franc drifted lower, though it did not lose its former narrow ERM band.

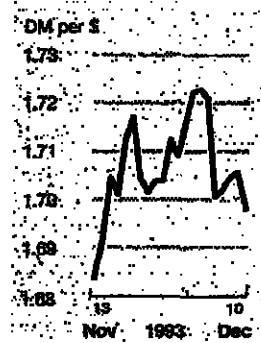
At its lowest point during the day, it hit the floor of the former 2.25 per cent fluctuation band at FF3.4305, but closed at FF3.424, after from FF3.427 on Thursday.

The Danish krone also eased back slightly after being boosted Thursday by fresh rate-cut hopes. It briefly pierced the floor of its former narrow ERM band at DKr3.9016 but closed at DKr3.918 on Wednesday. The Belgian franc closed at BF20.91, unchanged from Thursday's close.

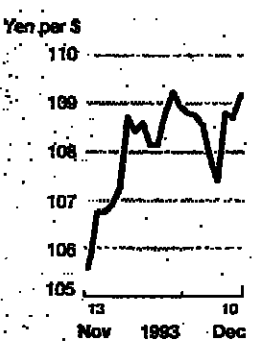
● Sterling slipped below DM2.45 as European traders took profits from the gains earlier in the week. It ended at DM2.5400, down from DM2.5500 on Thursday but up from its intra-day low of DM2.5387.

Starting money market conditions were tight amid seasonal pressures. "It was a very short day at the end of a very short week," signed a London

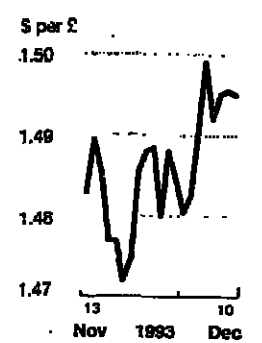
Dollar



Sterling



French franc



money market dealer, who expects the tightness to continue next week.

The Bank of England initially forecast a shortage of £2.6bn, which was later revised up to £2.75bn. In early operations the Bank purchased bills totalling £1.5bn for resale to the market in equal amounts on December 20, 30 and 31 at 5.5%. In further operations the Bank purchased band 2 bills totalling £5m. In its afternoon operation it bought another £553m of bills and provided late assistance of around £710m.

The December short sterling futures contract slipped by 0.06 point to 94.63 and the March contract eased by 0.04 point to 94.82.

● The dollar shed more than a penny against the D-Mark, breaching key technical support at DM1.6350. It slid to a low of DM1.6390 before closing in London at DM1.6390, down from DM1.6350 on Thursday.

Traders said there were no strong reasons for the slip and the extent of the move was amplified by thin trading conditions. "Even a small hedging

transaction in the bond market can trigger quite marked and often counter-intuitive moves in the currency," said a London dealer.

The dollar rose against the Yen, however, ending at ¥109.15, up from ¥108.75 on Thursday's close of ¥108.65. The Yen was depressed by the Bank of Japan's latest quarterly corporate survey, which pointed to a gloomy economic picture and kept hopes for a near-term cut in the 1.75 per cent official discount rate alive.

Next week's slew of economic data from Japan and the

US is expected to highlight the divergence of the two countries' economies, further underpinning the dollar against the Yen. Mr Edwards at IBI expects the dollar to trade at around ¥110 by year-end and to rise to ¥115 on a three-month view.

The US sees the release next week of retail sales, industrial production, capacity utilisation, business inventories and housing starts data, while Japan is due to publish industrial production, machine orders and the November trade balance figures.

POUND SPOT FORWARD AGAINST THE POUND

| Dec 10 | Closing mid-point | Change on day | Block/offer spread | Day's Mid low | Rate | NP | |
|-------------------|-------------------|---------------|--------------------|---------------|----------|----------|---------|
| Europe | | | | | | | |
| Australia | (Sch) | 17.85 | -0.05 | 780 - 790 | 17.82 | 17.8900 | -0.7 |
| Belgium | (Bfr) | 33.10 | -0.005 | 325 - 335 | 33.05 | 33.1000 | -0.5 |
| Denmark | (DKr) | 8.9775 | -0.0025 | 325 - 335 | 8.9750 | 8.9750 | -0.25 |
| France | (FFr) | 5.2225 | -0.0025 | 325 - 335 | 5.2200 | 5.2200 | -0.25 |
| Germany | (DM) | 2.5400 | -0.01 | 325 - 335 | 2.5300 | 2.5300 | -0.10 |
| Greece | (Dr) | 362.75 | -2.25 | 320 - 325 | 360.50 | 362.50 | -2.25 |
| Ireland | (Ir£) | 1.0650 | -0.0025 | 1.05 - 1.06 | 1.0575 | 1.0575 | -0.0075 |
| Italy | (Lit) | 336.00 | -0.005 | 325 - 335 | 335.50 | 336.00 | -0.50 |
| Netherlands | (Gld) | 2.4825 | -0.01 | 375 - 475 | 2.4800 | 2.4900 | -0.10 |
| Norway | (Nkr) | 11.0225 | -0.005 | 175 - 275 | 11.0175 | 11.0200 | -0.0025 |
| Portugal | (Esc) | 200.00 | -0.005 | 325 - 335 | 199.50 | 200.00 | -0.50 |
| Spain | (Ptas) | 166.65 | -0.005 | 325 - 335 | 166.15 | 166.65 | -0.50 |
| Sweden | (Skr) | 12.4625 | -0.005 | 475 - 575 | 12.4575 | 12.4600 | -0.25 |
| Switzerland | (Sfr) | 2.1775 | -0.0025 | 75 - 175 | 2.1750 | 2.1775 | -0.25 |
| UK | (£) | 1.3170 | -0.0005 | 165 - 175 | 1.3120 | 1.3135 | -0.15 |
| US\$ | (\$) | 1.6390 | -0.0005 | 325 - 335 | 1.6385 | 1.6390 | -0.05 |
| Asia | | | | | | | |
| Japan | (¥) | 110.00 | -0.005 | 325 - 335 | 109.50 | 110.00 | -0.50 |
| South Korea | (Won) | 180.00 | -0.005 | 325 - 335 | 179.50 | 180.00 | -0.50 |
| Hong Kong | (HK\$) | 1.2250 | -0.0005 | 325 - 335 | 1.2245 | 1.2250 | -0.05 |
| Taiwan | (NT\$) | 110.00 | -0.005 | 325 - 335 | 109.50 | 110.00 | -0.50 |
| Malaysia | (M) | 163.25 | -0.005 | 175 - 275 | 163.00 | 163.25 | -0.25 |
| Indonesia | (Rp) | 3,816.00 | -0.005 | 175 - 375 | 3,810.00 | 3,816.00 | -0.60 |
| New Zealand | (NZ\$) | 2.6845 | -0.0005 | 325 - 335 | 2.6840 | 2.6845 | -0.05 |
| South Africa | (Rand) | 1.0000 | -0.0005 | 325 - 335 | 0.9995 | 1.0000 | -0.05 |
| Saudi Arabia | (Riyal) | 5.6110 | -0.0005 | 105 - 115 | 5.6050 | 5.6100 | -0.05 |
| Singapore | (S\$) | 2.3800 | -0.0005 | 325 - 335 | 2.3795 | 2.3800 | -0.05 |
| China (Mainland) | (Yen) | 5.0590 | -0.0005 | 325 - 335 | 5.0585 | 5.0590 | -0.05 |
| China (Hong Kong) | (HK\$) | 1.2250 | -0.0005 | 325 - 335 | 1.2245 | 1.2250 | -0.05 |
| China (Shanghai) | (Yen) | 121.045 | -0.005 | 405 - 505 | 121.045 | 121.075 | -0.30 |
| South Korea | (Won) | 180.00 | -0.005 | 405 - 505 | 179.50 | 180.00 | -0.50 |
| Thailand | (Baht) | 37.90 | -0.05 | 795 - 795 | 38.10 | 37.85 | 0.25 |

Source: Reuters. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. All rates are quoted as US dollars per unit of foreign currency. 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DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| One month Rate | One year Rate | % FPA | Bank of Eng. Index | | Dec 10 | Closing mid-point | Change on day | Std/other spread | Day's mid low | One month Rate | One month %FPA | Three months Rate | Three months %FPA | One year Rate | One year %FPA | Morgan G's Index | G's Index | |
|-------------------|------------------|----------|--------------------------|--------|-------------|----------------------|------------------|---------------------|------------------|-------------------|-------------------|----------------------|----------------------|------------------|------------------|---------------------|--------------|--------|
| 17.8737 | -0.5 | - | 114.4 | Europe | (Sch) | 11.3000 | -0.005 | 275 - 325 | 11.9890 | 11.9200 | 11.956 | -2.6 | 12.0022 | -2.4 | 12.1207 | -1.6 | +61.19 | |
| 69.33 | -17 | 53.73 | -1.2 | 113.0 | Austria | (Sch) | 11.3000 | -0.005 | 275 - 325 | 11.9890 | 11.9200 | 11.956 | -2.6 | 12.0022 | -2.4 | 12.1207 | -1.6 | +61.19 |
| 9.8976 | -20 | 10.0706 | -1.3 | 115.8 | Belgium | (Bfr) | 35.85 | -0.15 | 590 - 560 | 36.65 | 35.45 | 35.68 | -4.4 | 35.98 | -3.7 | 36.415 | -2.4 | +0.32 |
| 8.7226 | -1.2 | 8.7485 | -0.6 | 106.1 | Denmark | (DKr) | 8.9775 | -0.0025 | 870 - 870 | 8.9765 | 8.9750 | 8.9767 | -4.8 | 8.9740 | -5.0 | 8.9825 | -2.6 | +10.33 |
| 2.5446 | -0.7 | 2.5458 | -0.2 | 124.0 | France | (FFr) | 5.8175 | -0.025 | 150 - 200 | 5.8340 | 5.8900 | 5.835 | -6.3 | 5.8535 | -3.2 | 5.9253 | -1.9 | -7.89 |
| 1.0542 | -0.8 | 1.0591 | -0.7 | 102.3 | Germany | (DM) | 2.5400 | -0.0085 | 958 - 1704 | 2.5390 | 2.5390 | 2.5390 | -3.1 | 2.5390 | -2.7 | 2.5390 | -1.6 | +31.25 |
| 2.9528 | -3.2 | 2.9795 | -3.0 | 78.2 | Greece | (Dr) | 362.75 | -2.25 | 190 - 200 | 362.50 | 362.50 | 362.50 | -1.4 | 362.50 | -1.4 | 362.50 | -1.4 | +31.25 |
| 2.9438 | -1.2 | 2.9425 | 0.0 | 119.3 | Ireland | (Ir£) | 1.0650 | -0.0045 | 190 - 200 | 1.0645 | 1.0640 | 1.0640 | -1.4 | 1.0640 | -1.4 | 1.0640 | -1.4 | +31.25 |
| 11.0235 | -0.4 | 11.0227 | 0.0 | 95.8 | Italy | (Lit) | 336.00 | -0.005 | 190 - 200 | 335.50 | 335.50 | 335.50 | -1.4 | 335.50 | -1.4 | 335.50 | -1.4 | +31.25 |
| 263.075 | -0.7 | 214.28 | -3.2 | 95.8 | Netherlands | (Gld) | 2.4825 | -0.01 | 350 - 350 | 2.4825 | 2.4825 | 2.4825 | -1.4 | 2.4825 | -1.4 | 2.4825 | -1.4 | +31.25 |
| 12.500 | -1.8 | 12.635 | -1.5 | 73.0 | Norway | (Nkr) | 7.3725 | -0.0375 | 700 - 750 | 7.4170 | 7.3550 | 7.3895 | -2.8 | 7.4137 | -2.2 | 7.4775 | -1.4 | -18.11 |
| 2.1712 | -1.2 | 2.1495 | 1.3 | 118.8 | Portugal | (Esc) | 173.45 | -0.45 | 340 - 350 | 173.85 | 173.20 | 174.7 | -6.6 | 176.84 | -6.8 | 184.8 | -6.5 | - |
| 1.3204 | -1.0 | 1.3249 | -0.6 | 86.7 | Spain | (Ptas) | 166.65 | -0.005 | 340 - 350 | 166.65 | 166.65 | 166.65 | -1.4 | 166.65 | -1.4 | 166.65 | -1.4 | +31.25 |
| | | | | 81.6 | Sweden | (Skr) | 8.3000 | -0.0275 | 750 - 825 | 8.3760 | 8.3240 | 8.3902 | -4.4 | 8.3907 | -3.7 | 8.555 | -2.7 | -38.74 |
| | | | | 116.8 | Switzerland | (Sfr) | 2.1450 | -0.005 | 560 - 570 | 2.1460 | 2.1400 | 2.1478 | -1.1 | 2.1495 | -0.8 | 2.1456 | -0.1 | +25.78 |
| | | | | 81.6 | UK | (£) | 1.4560 | -0.0005 | 845 - 855 | 1.4560 | 1.4625 | 1.492 | -2.4 | 1.4876 | -2.0 | 1.4787 | -1.2 | -27.93 |
| | | | | 86.7 | US | (\$) | 1.6390 | -0.0005 | 845 - 855 | 1.6390 | 1.6395 | 1.6318 | -0.3 | 1.6318 | -0.3 | 1.6318 | -0.3 | +31.25 |
| | | | | 86.7 | US\$ | (\$) | 1.6390 | -0.0005 | 845 - 855 | 1.6390 | 1.6395 | 1.6318 | -0.3 | 1.6318 | -0.3 | 1.6318 | -0.3 | +31.25 |
| | | | | 86.7 | US\$ | (\$) | 1.6390 | -0.0005 | 845 - 855 | 1.6390 | 1.6395 | 1.6318 | -0.3 | 1.6318 | -0.3 | 1.6318 | -0.3 | +31.25 |
| | | | | 86.7 | US\$ | (\$) | 1.6390 | -0.0005 | 845 - 855 | 1.6390 | 1.6395 | 1.6318 | -0.3 | 1.6318 | -0.3 | 1.6318 | -0.3 | +31.25 |
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WORLD STOCK MARKETS

AMERICA

Dow ebbs on tame retail prices report

Wall Street

US stocks ebbed yesterday morning after a tame report on retail prices and evidence of growing consumer confidence failed to break the market's flat mood, writes Frank McGarry in New York.

At 1 pm, the Dow Jones Industrial Average was 0.84 lower at 4,728.54, while the more broadly based Standard & Poor's 500 was off 0.48 at 463.70.

In the secondary markets, the American SE composite shed 1.31 to 465.50, and the Nasdaq composite was down 1.78 at 759.71.

Activity on the NYSE was moderate, with 142m shares traded by 1 pm.

After a disappointing finish

on Thursday, the market opened on a positive note, pleased to find no surprises in November's consumer price index.

Earlier, the Labour Department reported a 0.2 per cent rise in consumer prices last month, or 2.5 per cent at a compound annual rate. The core index - which excludes the more erratic energy and food components - was up 0.3 per cent, as expected.

But even though the data matched forecasts, the US Treasury market was not satisfied. Bonds barely touched positive territory before prices began to drift lower in mid-morning. The release of the University of Michigan's reading on consumer sentiment in early December further dampened the mood.

With the index rising to 81.7 from 81.2 in November, suggesting a greater willingness by consumers to spend, the inflation-sensitive 30-year government bond was trading down at 101½ at midday, to yield 6.162 per cent.

For equities, any cheer to be gained from the survey was mitigated by the downturn in bonds. Most indices hovered at slightly lower levels, while the Dow Industrials dipped into negative territory at midday, after holding on to slim gains most of the morning.

Among individual issues, Chrysler was a rare bright spot. The stock climbed \$2 to \$55 after Salomon Brothers raised its earnings estimate for the company. Ford added \$4 to \$63 but General Motors slipped \$4 to \$55.

Borden was marked up \$4 to \$18 after its chief executive resigned amid criticism of its efforts to turn around the food products concern.

IBM advanced after Dean Witter Reynolds said stronger than expected sales would lift its fourth-quarter profit. The stock gained \$1½ to \$54½.

Oil issues were in demand with January crude oil futures up 14 cents a barrel on the Nymex. Chevron climbed \$1 to \$87, Texaco \$4 to \$63, Amoco \$4 to \$62½, and Exxon \$4 to \$62½.

On the Nasdaq, where share prices were lower for a fifth straight session, trading was listless. In the hard-tech sector, Apple shed \$4 to \$29½ and Intel lost \$4 to \$57½, but Microsoft was \$4 higher at \$31½.

Canada

TORONTO remained weak at midday as investors continued to take profits.

The TSE 300 index eased 6.61 to 4,284.02 in turnover of 27.9m shares. Declines led advances by 307 to 221 with 338 unchanged.

Of Toronto's 14 sub-sectors, nine lost ground. Transportation fell 0.83 to 2.58 per cent, to 4,091.33. The heavily-weighted Laidlaw class B shares fell 0.5% to 0.38% while its class A shares dropped 0.5% to 0.39%.

On Thursday, Laidlaw said the US Internal Revenue Service's US\$90m claim in unpaid back taxes would not affect the company's financial results.

Tokyo preoccupied by economy and politics

Emiko Terazono on prospects for Japanese equities

Uncertainty over the ability of the Japanese prime minister, Mr Morihiro Hosokawa, to resolve mounting political and economic issues has kept investors away from the Tokyo stock market in spite of low long-term yields and falling money market rates.

Political developments have preoccupied investors as the government's decision to open the rice market and the passage of the political reform bill have become crucial issues, alongside government-mooted additional fiscal measures to prop up the sagging economy.

Mr Hosokawa is currently trying to juggle these issues. However, last week's plunge in the Nikkei index, to a year's low of 16,078.77, wiping out the market's local currency gains for the year, has undermined government officials. It has forced them to turn more of their attention to the economy, and prompted cabinet members to pledge support for share prices through economic stimulus.

Analysts point out that an income tax cut, designed to lift sluggish consumption, is already discussed into share prices. Ms Tomoko Fujii, economist at Salomon Brothers in Tokyo, says that the chances of a market plunge are high if the government fails to announce an income tax cut of around ¥5,000bn-¥6,000bn soon.

However, the income tax cuts are expected to form part of an overall tax reform package. Mr Hosokawa will need to twist the arms of bureaucrats at the ministry of finance, which is staunchly insisting that a tax cut be coupled with a consumption tax hike to maintain fiscal soundness.

The prime minister does not have time on his side. He still needs to push political reform through parliament during the current session. If he fails to implement reform, the cabinet is likely to resign, followed by a lower house election, causing a delay in the implementation of economic measures.

Meanwhile, some investors point out that even if additional stimuli are announced,

their implementation will take time. "The underlying fundamentals won't change in a short term," says a fund manager at Nippon Life, the country's largest life insurer. However, he says that the company is ready to bargain hunt shares around the 16,000 level.

Pessimism over the economy is increasing. Nomura Research Institute, the research arm of Nomura Securities recently announced that the economy would contract by 0.4 per cent in the next business year. The NRI forecast

around the 17,000 level for the rest of this year. However, the new year may see increased liquidation of stock holdings by companies ahead of the March book closing. Mr Yasuo Ueki at Nikko Securities says that companies have already sold some ¥1,000bn worth of shares this year, and are potential sellers of another ¥1,000bn.

Banks, which still need to write off mounting bad loans are also expected to continue to realise profits on their long term holdings.

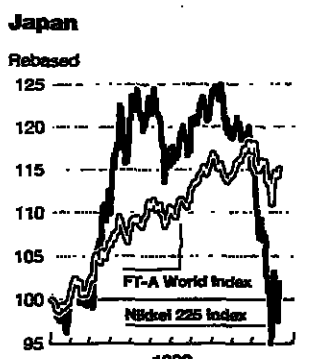
Many brokers hope that a declining trend in the yen will support export oriented high-technology stocks, whose weakness this year has reflected sharp falls in profits, due to sluggish consumer confidence and foreign exchange losses. "The trading cycle points to electronic stocks," says Mr Ueki at Nikko.

Some institutional investors, especially life insurers, which have low exposure to equities, are looking for higher yielding investments. Many shifted into the bond market at the start of the year, and total investments in bonds rose by 42 per cent in the year to June, accounting for almost half of their net cash flow.

Most investors hope that the government will deliver a boost to share prices eventually, and that public insurance and postal funds will come in to buy shares as they did during the first half of this year.

While purchases by public funds have evaporated since the flotation of East Japan Railway in October, weakness in equities ahead of the March year end book closing of their books might bring government influence to bear.

Meanwhile, some analysts take comfort in a traditional approach. Mr Geoffrey Barker, an economist at Baring Securities in Tokyo, points out that stock markets tend to be strong during the first four months of the year. "Investors come in at the start of the year with a determination to make money," he explains.



Source: Datastream

EUROPE

Senior bourses settle for gentle profit-taking

After notching up a big midweek contribution to their year-end rally, bourses settled for gentle profit-taking yesterday, writes Our Markets Staff.

FRANKFURT incorporated Thursday's post-bourse losses to close with the DAX index 14.67 lower at 2,161.13, still 1.9 per cent higher on the week.

Trading said that the downside yesterday was limited by firmer futures prices, the December DAX futures contract rising 8.0 to 2,170.5.

Turnover fell from DM11.8bn to DM9.1bn. Falls of around 1 per cent were commonplace, but in engineering and steel, Deutsche Babcock, Thyssen and Krupp-Hoesch gained on chart technical factors and small buy orders, rising DM3.20 to DM231.80, DM5.50 to DM259.50 and DM6.50 to DM169 respectively.

Metalgesellschaft closed another DM8.20 lower at DM232, a week's loss of DM69.50 or 17.7 per cent. This followed reports that it had to secure additional credit lines after having to pay large margin payments for its hedge positions on petroleum contracts; the group has also passed its 1993 dividend, and announced a number of asset sales this week.

FT-SE Actuaries Share Indices

| Dec 10 | Dec 9 | Dec 8 | Dec 7 | Dec 6 | Dec 5 | Dec 4 |
|-----------|---------|---------|---------|---------|---------|---------|
| FT-SE 100 | 1415.55 | 1416.25 | 1417.44 | 1418.33 | 1417.57 | 1417.20 |
| FT-SE 250 | 1481.74 | 1482.84 | 1483.53 | 1484.13 | 1483.57 | 1483.58 |
| FT-SE 100 | 1415.55 | 1416.25 | 1417.44 | 1418.33 | 1417.57 | 1417.20 |
| FT-SE 250 | 1481.74 | 1482.84 | 1483.53 | 1484.13 | 1483.57 | 1483.58 |

PARIS saw the CAC-40 index and 13.57 lower at 2,198.12, up 0.4 per cent on the week in turnover of FF3.75bn, gains attracting more comment than losses.

Rhone-Poulenc rose FF2 to FF152.10 in 2.3m shares on good fundamentals, and on buying from institutions which wanted to top up packets of shares they received during the company's privatisation.

Eurotunnel put on FF1.25 to FF42.10, its followers reassured that the Channel tunnel would come into operation after the handing over of the tunnel by builders yesterday.

Lyonnaisse des Eaux-Dumex lost FF18 at FF592 on rumours of a sizeable share placing, denied by the company.

AMSTERDAM's early advance was wiped out, the CBS Tendency index ending 0.4

lower at 140.0, 0.7 per cent higher on the week. Shares in tank storage companies were hit by a report that the Netherlands would import more than a third of its strategic oil reserves from Rotterdam port to German salt caves.

Van Ommen shed FI 1.70 to FI 41.50 in spite of a denial that it would be affected because it did not store crude oil, the only type to be stored in the German caves. Pakhoed fell FI 1.20 to FI 47.60.

Financial stocks were firm on hopes of lower interest rates. Agon gained FI 1.40 to FI 105.50, ING rose 50 cents to FI 89.50 and Amey climbed 60 cents to FI 87.50.

A FI 2.70 or 6 per cent rise to FI 47.50 in Beegmann, the engineering company, was attributed to favourable press com-

ment on its recent restructuring.

ZURICH extended its gains with the SMI index up 2.8 to 2,812.1, up 1.5 per cent on a week in which records were set on every day but Tuesday.

The annual monetary statement from the Swiss National Bank held no surprises: the bank said it was adhering to its medium-term target of 1 per cent growth in money supply.

Nestlé rose SF4 to SF1,250 as Credit Suisse said the share, still a market underperformer, could climb as far as SF1,400. Ascom, the troubled telecommunications group, shed SF40 to SF1,130; the shares surged SF90 on Thursday ahead of the announcement that the chief executive, Mr Leonardo Vannotti, had resigned and the company was being reorganised into three divisions.

MILAN paused after its recent gains. The Comit index dipped 1.18 to 583.11, still 6.1 per cent higher on the week. Turnover was reported to have dropped sharply from Thursday's heavy 1,300bn to 1,000bn.

A L&B rise to L3.38 in Rinascente was attributed to a reassessment of the outlook for the stock: a public buy offer for 33 per cent of the company by IRI

ended last month and two new shareholders have emerged, Arab Banking Corporation with 9 per cent and Pictet, the Swiss bank, with 3 per cent.

Among heavily traded blue chips, Sip was 1.37 lower at L3.351 and Stet lost L20 to L3,919.

Credito Italiano slipped L47 to L2,388 after this week's successful privatisation offer.

STOCKHOLM was hit by American selling, the Affarsvärlden General index closing 9.80 lower at 1,350.60, 1.1 per cent up on the week with Ericsson B another SKR11 lower at SKR320. HESLINIK, Nokia reduced the Ericsson drop with a PM16 fall of its own to FM236 as the Hex index lost 16.9 at 1,550.0, 0.4 per cent better on the week.

Written and edited by William Cochrane and Michael Morgan.

SOUTH AFRICA

Foreign buyers came in after some local profit-taking, but the market closed slightly down from the previous day's record highs. Golds were 14 lower at 2,050, industrials fell 15 to 5,057 and the over all index lost 23 at 4,468.

LONDON EQUITIES

LIFE EQUITY OPTIONS

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FINANCIAL TIMES

Weekend December 11/December 12 1993

Brossette B/I
Sanitaire - Chauffage - Condensation
WOLSELEY

Trade ministers meet for last-ditch effort to settle Gatt differences

By David Dodwell, World Trade Editor, in Geneva

Trade ministers from the four "Quad" countries of the US, Japan, Canada and the European Union will meet in Geneva today and tomorrow in an attempt to settle outstanding disagreements on world trade reform before the Uruguay Round of Gatt negotiations.

It was uncertain last night whether there was enough room for compromise. Mr Mickey Kantor, US trade representative, who will be at the talks, said the odds had "shifted in favour" of reaching a deal by the December 15 deadline but "it's not in the bag".

Ministers will lend top-level authority to a virtual frenzy of talks between the 116 countries involved in the round, most of which must be finished by midnight on Sunday night. They will also give negotiators greater leeway to make difficult compromises at a time when lobbying pressure both in Geneva and in national capitals is intense.

The main disputes that could still scupper the talks include US demands for diltion of proposed anti-dumping rules, and US threats to give unfettered access to its financial services market to only a small group of industrial countries. Mr Kantor said yesterday the US would not accept a

fact that did not preserve US rights to retaliate unilaterally against "dumping", or selling goods below cost.

On the European side, France is still digging in over US access to Europe's film and television markets. The two sides are still arguing over US threats to withdraw offers to liberalise shipping and port operations.

Differences over a regime to control aircraft subsidies, plans to reconcile potential conflicts in trade and environment policies and the authority of a Multilateral Trade Organisation to replace the General Agreement on Tariffs and Trade appear to be closer to resolution.

Mr Peter Sutherland, Gatt director general, has set a Sunday deadline for completion of negotiations so that a final draft of the 480-page text of the Uruguay Round can be drawn up and translated by December 15, the deadline for completing the round.

Intensive negotiations continued late into last night on all outstanding issues, with Japan facing immense pressure from the EU and the US to make new market-opening concessions following completion on Tuesday of a conditional US-EU market-opening package.

Gatt clash defused, Page 3

Government stands by pension plans

By Roland Rudd

The government pledged its full backing yesterday to the principle of personal pensions in spite of the announcement earlier this week of an inquiry into the sale of up to 400 000 policies.

Mr Anthony Nelson, Treasury economic secretary, said that, in the main, policy holders should not be alarmed: "We are not talking about fraud or theft; the security of personal pensions is not in doubt".

The minister said that the recent study showing that rules regarding personal pensions were not followed in four out of five cases did not alter the government's support.

In an interview with the

Financial Times, he said: "The government will continue to support the personal pension since for many people it will remain an attractive means for providing for retirement. It would be quite wrong for us to discourage them."

The government has faced embarrassment over the inquiry into the sales of personal pensions to people transferring out of employers' schemes. During the late 1980s ministers stressed the benefits of personal pension plans because of their flexibility.

Mr Nelson said: "My overriding concern is the interests of those who have taken personal pensions and we have to ensure that they are not disadvantaged by mis-selling." He added that pro-

viders would have to respond to those who had been disadvantaged by allowing them to adjust their personal pension or to rejoin their occupational pension.

Mr Nelson specifically ruled out any review of the Financial Services Act. He said that, far from indicating a failure of the system, the recent disclosure of abuse in the sale of personal pensions showed the effectiveness of the current regulations.

"We have to improve the system and learn from our mistakes. But this is not a failure of the regulatory system."

The minister made clear that he expected providers of personal pensions to produce "full disclosure of the costs and implications so people could make a careful

comparison of what was on offer."

He said "the full-scale study" by the Securities and Investments Board, the City's chief watchdog, into the extent of the mis-selling of personal pensions would establish the extent of the problem. "SIB is undertaking a thorough review of the selling rules and will then co-ordinate an action plan to provide redress to those that are disadvantaged," he said.

The SIB has said that it will also investigate the sale of personal pensions to people contracting out of the state earnings related pensions scheme.

OFT presses insurers, Page 6
Retiring hurt but wise, Page 10

No sign of durable recovery as pessimism among companies deepens

Japan's GDP edges up 0.5%

By Robert Thomson in Tokyo

Japan's economy defied expectations by growing 0.5 per cent in the third quarter, lifting gross domestic product by an annualised 2 per cent, the Economic Planning Agency said yesterday.

The figure, bolstered by a recovery in housing-related spending, contrasts sharply with the mood among Japanese companies reflected in the Bank of Japan's quarterly survey published yesterday. The survey's index of sentiment among manufacturers - a comparison of those with positive and negative outlooks - slipped almost 10 per cent from -51 to a gloomy -56, and among non-manufacturers from -41 to a record low of -47.

For the July-September quarter, GDP rose 0.5 per cent from the previous quarter, while GNP gained 0.4 per cent and an annualised 1.5 per cent. During the quarter, the EPA started using GDP instead of GNP as the official measure of economic performance.

The Bank of Japan and the EPA agreed that no signs of a durable recovery have emerged, but the agency suggested that the third-quarter growth was an indication of the economy's underlying strength. In the previous quarter, GDP contracted by 0.5 per cent. Most economists had expected a further contraction.

Ms Mineko Sasaki-Smith, economist at Morgan Stanley, said the positive figure for the latest quarter was partly a "yo-yo effect" from the weak position in the previous quarter and the sector was likely to turn down

again in the fourth quarter. However, the bank's survey - regarded as the best measure of corporate spending intentions - for the year to March is expected to fall 7.5 per cent, down from 5.9 per cent recorded in the previous survey.

The bank's survey of more than 10,000 companies showed an increase in those reporting a surplus of labour, while the reduction of excess inventories has stalled, suggesting that final demand is again faltering and that industrial production will fall in coming months.

Japan's coalition government is expected to start preparing another stimulatory package next week.

Jobs hold the key, Page 3

Customs to play Scrooge over rebates

Continued from Page 1

parties, and not the money spent on their staff's guests.

KPMG won the case by arguing that guests were merely sharing the staff's celebrations for their past efforts, and were not present for business purposes - which would have made them ineligible for rebates.

Customs - which had been quiet on the subject up until then - has since appealed against the judgment and issued a retaliatory technical bulletin, which says it will only accept 50 per cent of the costs of employee entertainment for any refunds of VAT.

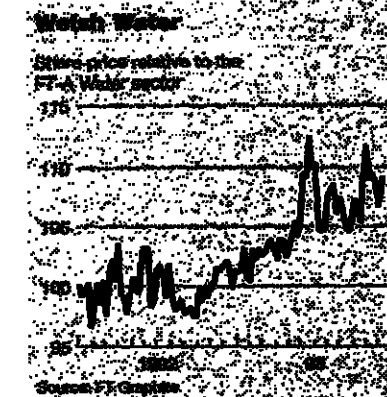
If the appeal succeeds, companies will be left out of pocket for substantial sums. On parties attended equally by employees and guests, the amount they will be able to reclaim will fall from half to a quarter of the VAT incurred.

Last night Customs said: "People can always make a case to get back more from their local VAT office. But nobody at Customs gets any VAT back on our Christmas parties. Staff have to pay their own expenses."

THE LEX COLUMN

High octane yields

FT-SE Index: 3261.3 (-10.3)



basic water business - half that of North West Water - consultancy might make a meaningful contribution to earnings.

The best that can be said so far, though, is that worries about a serious error on the road to diversification have been allayed. That has allowed the strength of the water business to shine through. With dividend cover of four times and a balance sheet barely geared, Welsh could live with a tougher regulatory regime more easily than its peers. While the outcome of next year's review of price limits remains so uncertain, such defensive qualities will continue to drive the shares.

Hong Kong

Hong Kong equities continue to rise above politics. The Hang Seng index pushed through 10,000 yesterday, despite a deadlock in talks on the colony's future. On a multiple of 14.5 times next year's forecast earnings - against a long-term average of 12.5 times - the market is now deep in uncharted territory. Against the heavy ratings of Singapore and Malaysia, though, the Hang Seng looks a laggard.

While the message from China remains soothing, the temptation will be to press higher. If new issues are any guide, international interest has barely cooled. The flotation of Kowloon Machine Tool, the Chinese company which made its debut last week, was 628 times oversubscribed.

While capital is flowing into Hong Kong at such a rate, talk of currency risk might seem far-fetched. The peg with the US dollar has survived 10 years of turbulence, including Tianan-

men Square. The authorities have accumulated formidable reserves and are presently concerned with holding the Hong Kong dollar down. Still, bonds issued by the Mass Transit Railway Corporation have been downgraded by Moody's, partly on the grounds that the peg might not survive a Chinese shock. That is a reminder that flow of capital could easily swing in reverse.

Property companies

Investment property companies have vigorously resisted the new FRS3 accounting standard, arguing it makes a mockery of their reporting figures. Profits from investment companies should reflect the revenue earned from letting space, they say. It should not include capital gains and losses generated from churning portfolios. Having failed to persuade the Accounting Standards Board, property companies have now adopted another tack. Both MIPFV and Scottish Land have simply continued to report headline profits, ignoring capital losses. The FRS3 numbers are included but given far less prominence.

The property companies' take is compelling. There is even a danger that FRS3 widens the scope for abuse. Given that profits or losses at disposal are calculated on carrying values, this makes it possible to manage stated profits by manipulating the timing of valuations and sales. As the Queens Moat Houses episode has shown, property valuation is a tricky business. That said, it is dangerous to view revenue profits in isolation. The values a property company realises from disposals is clearly a critical financial indicator and may reflect on the quality of its remaining portfolio.

UK television

LWT would swallow an effective pension pill by linking up with Yorkshire-Tyne Tees. Such thinking is clearly unorthodox in LWT's mind as it scrambles to evade the predatory Granada. Anglia, too, may be thinking similar thoughts given its own vulnerability to a bid. Shareholders would be right to reject such manoeuvres if that was their companies' sole intent. A merger between all four stations could make real industrial sense but that presupposes a further relaxation of the franchise rules. Mr Peter Brooks may have fondly imagined he had just solved the ITV ownership conundrum. Clearly not.

LWT alliance plan may hold off Granada

Continued from Page 1

around £600m with a 528p per share cash alternative. Granada's shares closed up 12p at 498p, valuing the offer at around £610m.

As part of LWT's defence against Granada, a three-way deal is understood to have been agreed.

The reason behind this is the proposal by the government which would mean no indepen-

dent television company could own more than two regional franchises. Because the Yorkshire-Tyne Tees group already holds two broadcasting licences any deal with LWT would involve the disposal of one of them.

FT WEATHER GUIDE

Europe today

Except for the most southerly regions, Europe will be exposed to an active westerly air flow which will penetrate deep into Russia. Cold and unstable air over western Europe will result in showers around the North Sea and surrounding countries. Heat and sleet will fall over the British Isles, the Low Countries, Germany and northern France. There will also be heavy rain or wet snow over the north and west slopes of the Alps as temperatures drop significantly. Scandinavia will experience severe frost with snow or sleet in the far south. A frontal disturbance will trigger snow, sleet or rain over south-east Europe, Belarus and the Ukraine. It will remain warm and mostly sunny over the Mediterranean.

Five-day forecast

The wintry air mass over northern Europe will gradually spread southward. Conditions will be unsettled over the entire North Sea area with widespread rain, especially over France and the UK. Frosty conditions will return to continental Europe but around the Mediterranean it will be sunny with better than average temperatures for the time of year. There will be severe frost throughout the period over northern Europe.

TODAY'S TEMPERATURES

| Location | Temp | Location | Temp | Location | Temp | Location | Temp | | |
|--------------|------|-----------|------|--------------|------|-----------|------|------------|----|
| Madrid | 11 | Belgrade | 4 | Cardiff | 6 | Frankfurt | 4 | Malta | 20 |
| Algiers | 17 | Berlin | 5 | Colonia | 11 | Geneva | 8 | Manchester | 15 |
| Amsterdam | 10 | D'Almeida | 24 | Dakar | 31 | Glasgow | 5 | Marina | 18 |
| Barcelona | 15 | Bombay | 33 | Hamburg | 10 | London | 8 | Medan | 26 |
| Buenos Aires | 19 | Brussels | 10 | Helsinki | 18 | Moscow | 4 | Melbourne | 21 |
| Cairo | 22 | Dublin | 10 | Hong Kong | 25 | Mumbai | 28 | Perth | 21 |
| Cape Town | 16 | Edinburgh | 10 | Kuala Lumpur | 28 | Nairobi | 25 | Rio | 28 |
| Caracas | 26 | Faro | 18 | Lima | 21 | San Jose | 25 | Singapore | 30 |
| | | | | Los Angeles | 21 | Sao Paulo | 25 | Sydney | 22 |
| | | | | London | 16 | Seoul | 21 | Taipei | 22 |
| | | | | Madrid | 11 | Shanghai | 18 | Tokyo | 18 |
| | | | | Manila | 26 | Shenzhen | 25 | Wellington | 19 |
| | | | | Nassau | 25 | Singapore | 30 | Zurich | 8 |
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| | | | | Reykjavik | 18 | Singapore | 30 | | |

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Weekend FT

SECTION II

Weekend December 11/December 12 1993

The icy test of popular democracy in the new Russia

At minus 40°C, the doors of aircraft freeze shut and must be pried open with powerful hot air blowers, standard equipment at all Siberian airports. When the temperature drops below minus 40°C, natives warn you not to wear metal glasses or drink from a metal cup - they will stick to your face.

In Kemerovo, an industrial city deep in forest, it is so cold that the air burns and your breath freezes into fine ice dust.

This is the land to which countless thousands of Soviet citizens were transported to become slave labourers in Stalin's prison camps. In recent weeks Siberians have been testing a political structure, unfamiliar to Russians: popular democracy. Bravely, this weekend they will take part in the first free elections amid a chaotic array of parties, interest groups and eccentricities.

Many of those standing have only the haziest idea how political parties might be organised - or offer a credible agenda for government. Many of those voting seem bewildered by the dense piles of ballot sheets awaiting them tomorrow - with votes for both the upper and lower house of parliament and a constitutional referendum as well.

Galina Parshentseva is one of those gamely battling to make sense of this blizzard of electoral paper in frozen Kemerovo. A young lawyer known for her long blonde hair and mini skirts, she came to Kemerovo 17 years ago, and moved swiftly through the party ranks. Now, as Deputy Director of Social Protection for 18 cities, she is a candidate for the Women of Russia party. As she is taken to the day's first meeting in her chauffeur-driven Volga, she is briefed by Galina Pushkaryova, a member of the campaign team: "At two, you meet pensioners, at four, you're giving a speech to medical students, then at six, we've got the miners."

She starts off well with the pensioners of Azhero-Subzhenok, a miner's town in a landscape of tiny wooden houses and red-cheeked women carrying firewood. Her message could have come straight from the notebook of any seasoned western politician. "My mother is in the same situation as you. She is living on a pension of 30,000 rubles. We need to raise pensions to keep up with inflation."

But with the medical students she falters. When a girl in a white coat asks about protection for medical workers she smiles: "I don't have a concrete programme, I am a dilettante in these questions."

"You have a lot to learn," her friend Pushkaryova says when they are back in the car. "Study, study and keep studying. Lenin said - but you probably missed that."

Several thousand miles to the West, in a plush hotel in Novgorod, Igor, a candidate for the Russian Unity and Accord party, shows a similar touching naivety: "Tell me - do you have any contacts with the British Conservative Party?" he asks. "I would quite like to join them, in the name of international democracy."

But why? Is not his party's programme for a "caring" economy, just the reverse of Thatcherism? Igor shrugs. He believes in establishment and "conservative" values. "I mean, why talk about the 'left' and 'right' - who needs it?" he says.

It is a valid question for voters trying to make sense of the conflicting ideas, in a completely new kind of politics, where there is little real debate between the parties. They find themselves in a world where "left wing" can mean pro-market, "conservatives" lean towards preserving some of the old communist system and

Russians vote in free elections this weekend faced with a chaotic array of parties. Gillian Tett, Leyla Boulton and Lori Cidylo report

communists and fascists may embrace each other in a "red-brown alliance". In this sudden uncontrolled flowering of democracy, many political disputes are often based on personal rivalries, so the ironies of the new political language hardly seem to matter.

The obscurity of party names only adds to the confusion. For example, the Civic Union, supports Russia's still mainly state-owned industry. Russia's Choice is the pro-western, pro-reform party, closely allied with the President, Boris Yeltsin. The Yavlinsky group, known by the acronym "Apple" in Russian, wants more private property rights. But learning the names of the 13 official parties is only a start: the parties contain as many factions as the characters in a Russian novel.

At least everyone knows what the Agrarian Party stands for: the interests of the "red barons" of the threatened state farms. But the Liberal Democratic Party, now running second to Russia's Choice in some opinion polls, is the opposite of liberal. Its crypto-fascist leader Vladimir Zhirinovskiy promises summary executions and plans to "curb the power of Jews".

Of course, all the pro-reform democratic parties promise better social protection, less corrupt government and market reforms - without mentioning how the

better life is to be achieved.

"To build better cars than Mercedes and better planes than Boeing, we simply need to work harder," says Svyatoslav Fyodorov, the wealthy eye-surgeon and leader of the Russian Democratic Reform Movement.

Westerners may scoff at the amateurishness. But in a country where advertising has only recently arrived, western-style hype does not necessarily feel right. The most striking television promotion so far shows black and white footage of a Soviet world ice hockey championship defeat of Canada, with a soothing male voice promising to make Russia great once more - if voters opt for the Russian Party of Unity and Accord. But the party's ratings are poor. And the most effective advertisement has been Zhirinovskiy's which simply offers himself. In a Russia where many voters are so demoralised they might not vote at all - simplicity is attractive.

Yet for Russians this is one of the most serious episodes in their turbulent history - a second chance this century to shake off its tradition of authoritarian rule. One chance was lost in the 1917 Russian revolution. The vote tomorrow will be the first to let them choose their parliament freely.

In Russia's presidential election in 1991, the choice was simple: vote for reform, or a communist. Yeltsin won 69 per cent of a heavy poll. This time the questions are much more complicated: what kind of reform? and what kind of people? Most of the Russian cabinet are running. So are pop stars, businessmen, cosmonauts - even priests.

And there has been no shortage of ordinary volunteers. In the Ural city of Chelyabinsk, the selection meeting for Russia's Choice drew dozens of hopefuls, who faced public interrogation about their motives, salary, mental balance - and KGB record.

"I'm offering myself because we have to defend these reforms," declared Boris Muzrakhov, a local official, who sported a slick business card, and had financial backing from a local pig processing plant. Few doubt that Russia's Choice, backed by many of Yeltsin's ministers, has had access to the most resources. But funds seem to have been flowing quite freely into some of the rival parties too. The Unity and Accord party, for example, offered free alcohol at its launch in Novgorod.

"This is a great way to have a political meeting. I've never been in a hotel like this," said one tipsy delegate from Buryatiya. And who paid for the luxury? An organiser muttered: "Businessmen and banks. A lot are backing all the parties, to ensure that one of theirs gets in."

Not all parties could rise to hotels. The now-dissident Communists, held their own launch in a run-down institute and



explained: "This election is a farce, but we will take part anyway - we cannot abandon the people."

However, perhaps the strongest protest against this sea of grey suits is from the group called "Women of Russia". It is protesting against the fact that so few women have achieved political power - only 5.5 per cent of the last parliament were female.

Like all fledgling political movements, Women of Russia is short on experience - but this may be its greatest asset among

parts of the electorate wary of the grandiose promises littering the campaign.

However, adjusting to the election spotlight, as Ekaterina Popova, a candidate admits, is difficult for both sexes. Soviet society discouraged individualism and so for Russians, western style glitz and the focus on personalities seems embarrassingly egocentric. "It's difficult psychologically. We were raised to believe that the interests of society, not our own interests, came first," says Popova. "Now something in society has changed. But it's impossible

to transform yourself inside."

Not everyone would be as gloomy. Russia's steps into democracy might be wobbly, but lessons are being learnt. A political ferment has emerged that cannot easily be stamped out. But with Zhirinovskiy's crypto-fascists rising in popularity, the crucial question that will hang in the frozen air across Russia tomorrow is will this "democracy" outweigh the authoritarian traditions that have shaped so much of Russia's past?

All power to the president, page XVII

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The Long View / Barry Riley

Personal pension blues



Personal pensions have always carried the potential of a disaster just waiting to happen: more than one disaster, in fact, because the storm that broke this week over badly-advised transfers out of occupational schemes into personal plans is likely to be followed by another when the several million people who have signed up for rebate-only and other small-scale plans discover that the eventual benefits will prove to be derisory.

The first crisis, over unwise exits from occupational schemes, has now been uncovered by the bureaucrats of the Securities and Investments Board who, five years too late, have found out that the fact-finding and paperwork connected with some 400,000 out of 500,000 transfers was deficient.

Just because there was corner-cutting in the procedures does not necessarily imply that the advice was always wrong. At the same time, it does not follow, either, that if the forms were filled out impeccably, the advice was always right. The suggestion is that the individuals clearly have lost out in a significant proportion of the cases - more than 100,000, anyway.

These allegations strike right to the heart of the retail investment industry. We are not talking here primarily about rogues on the fringe (although there have been some of those, too). According to Paul Trickett of the Mineworkers' Pension Scheme, who has watched with mounting concern over several years as some £700m has been transferred into personal plans, the leading recipients of the money have been TSB, Pearl Assurance, Prudential Assurance, Britannic Assurance and Legal & General.

check what was actually going on in the market place.

The life companies obviously can be criticised for accepting the transfer business eagerly without asking questions about the quality of advice given to the customers. They might say in their defence, however, that they were only responding to the political spirit of the time. The Thatcher government adopted the concept of personal pensions and then promoted them as part of its drive towards individual responsibility and popular capitalism. But it was careful to stop short of saying that people should leave occupational schemes.

You might also attach some culpability to the occupational schemes, which built up such a bad reputation during the 1970s and early 1980s for swindling early leavers. That provided the splendid sales line for the personal pensions peddlers that it was not safe to leave capital at the mercy of your former bosses (an angle which acquired another dimension after the Maxwell scandal two years ago). Thanks mainly to legislation, however, deferred pensioners (who have left a company, but retain future rights in its pension scheme) are now better protected against inflation than they were.

Finally, are the individuals themselves partly to blame? They are notoriously unwilling to pay for unbiased counselling and prefer to accept "free" advice from salesmen. Perhaps the emerging results serve them right.

The SIB still appears to be pre-occupied with the procedural details. The idea is that if enough pieces of paper are filled in and enough information gathered, the investor will somehow be protected. It would have been much better if, from the start, the SIB had focused on the motivation involved. A decision on pensions is highly technical and requires advice which is not only expert but unbiased; the intermediary must be prepared to advise "no" as well as "yes".

In almost all cases, though, personal

pension business has been driven by commissions. The intermediary is paid highly for persuading the client to transfer out, but receives nothing for telling him that his best course is to leave his capital in an occupational scheme. It is a mystery why the regulators should be surprised in these circumstances to find there has been widespread mis-selling.

There is talk of upgrading the training of personal pension intermediaries and introducing special categories of advisers, but such measures are unlikely to do a lot of good unless the remuneration is detached from the product sale. But the commercial reality is that investment products are sold only in big numbers by highly-motivated intermediaries. This is why many of the life offices have been fighting fiercely against the fairly modest commission disclosure proposals, now in the pipeline, which might expose the "free advice" myth.

Personal pension plans remain perfectly good products in themselves so long as they retain 40 per cent tax relief on premiums and the right to tax-free lump sum benefits. In these respects, they escaped damage in the Budget. If substantial payments - at least 15 per cent of earnings - are made into a plan over a long period of years it should deliver fair value. In general, there is no reason for panic.

Nevertheless, the general over-selling of personal pensions has created an expectations gap. Most people have a vastly exaggerated idea of the benefits they are likely to get. Although investment returns generally have been quite favourable over the past few years, the same cannot be said of annuity rates, which are worsening all the time as gilt yields fall (see page VI). For a married couple to buy a fixed pension of two-thirds of average male earnings (now £350 a week) transferable to the survivor they would need a fund of about £150,000 - and inflation-proofing would cost much more. Few people can hope to get anywhere near such a level.

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London
 Gilt also
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The equity market made the headlines this week, with the FT-SE 100 index passing briefly through the 3,300 mark for the first time on Thursday. Smaller stocks did even better: as the chart shows the FT-SE Mid 250 index, which measures the performance of the next-largest 250 companies, has again resumed the pattern of outperformance seen earlier this year helped this week by big dividend rises from a clutch of regional electricity companies.

But the rally in the gilt market was almost as spectacular. Long term interest rates in the UK have fallen roughly half a percentage point in the last month: ten-year gilts, for example, are now yielding less than 6.4 per cent, compared with nearly 6.9 per cent a month ago. The traditionally volatile gilt market has been helped by the Budget. Long-term gilts, usually much more stable, have risen 2½ per cent in the same period, as measured by the FT-

Actuaries fixed-interest index. The contribution of the gilts rally to the rise in share prices can best be measured by looking at the yield ratio, which divides the yield on long-term gilts by the yield on equities. (It is now printed daily alongside the FT's London stock market report.) The lower the ratio, the "cheaper" the equity market in relation to the gilt. Just before the Budget, the yield ratio was 1.93; it is now 1.95. So, though equities have got slightly more expensive on this measure over the period, much of the impetus behind the share price rally has come from gilts.

Domestic and international investors sensed that, in the Budget, the UK government got a handle on the medium-term outlook for public borrowing. Salomon Brothers, surveying the stock market, said that the rally in world securities markets in the last few weeks, singles out the UK as the only one of the major European economies which has begun shifting policy towards sorely-needed

Source: FT Graphics

fiscal restraint.

If such sentiments are shared elsewhere around the world, they perhaps explain the enthusiastic reception given to the year's last global auction, which was heavily oversubscribed on Tuesday. The next day, the markets rallied further, as investors reacted to hints from Eddie George, the governor of the Bank of England, that another cut in short-term interest rates was likely early next year if economic growth faltered. George did not seem to feel a slowdown was likely; he said that the chancellor's expectation of 2% per cent gdp growth next year was "plausible," a rare tribute to the beleaguered Bank of Treasury forecasters.

Perhaps more important, however, he played down the risks of a rise in inflation. The Bank is set to be an increasing influence over interest rate pol-

icy - George revealed that it has been given a month's leeway in deciding the timing of rate cuts instigated by the chancellor. His tone suggested that, for the foreseeable future, it is unlikely to bring the full weight of its influence to bear on the side of monetary restraint.

In anticipation of further cuts in interest rates, bank stocks were again among the biggest gainers this week. Securities firms have also gained: their employees are looking forward to big bonuses this Christmas. One influence here is the record trading volumes for November announced by the London Stock Exchange on Tuesday. UK equities worth \$22.6bn were traded in the business month since July 1987, at the peak of the boom that ended in a market crash that October.

The scale of the gain

as the world expected, Granada joined the rush to consolidate the ITV system by bidding for LWT. Although valuing the target at £500m, the bid was a pinch-penny one: at closing prices on Monday, the deal was announced, the six new Granada shares offered for every five LWT shares were worth £32p, a discount of 0.1 per cent to the target's pre-bid share price. For shareholders who would prefer cash, the deal was even less generous: it included a cash alternative of only 52p.

Still, as Gerry Robinson, Granada's chief executive, said, the offer was half as big as the offer for the LWT share price on June 28 when Granada first bought a stake in the company. The holding now stands at 17 per cent, large enough to cause problems to any potential white knight — which perhaps explains Granada's confidence

Is higher income plans, was in retrospect perfectly timed. Savers were just starting to wake up to the impact of falling interest rates on their investment income; a 10 per cent yield looked to go to miss. Some highly enthusiastic mailshots from independent financial advisers helped make it an enormous marketing success.

But the fund was underwritten by Morgan Grenfell & Co, which launched a similar plan, and clever. The fund was able to offer such a high income even after deducting its charges, by using options. If you sell (or "write") an option, you receive a premium. By writing a large number of options, the fund could generate a high premium income which, through a complex process, was passed back to investors.

For those of us who were cautious about the fund, this week's developments have been particularly interesting. First, Save & Prosper abandoned plans to launch a fund on similar lines; second, the

There is a risk-free return in any market, which represents the return on short term government debt. At the moment, short-term UK government debt (Treasury bills) yields around 5 per cent.

Investors can earn more than 5 per cent from long-dated gilts, but there do involve some risk. The credit risk that the government will fail to repay the debt is fairly minimal. But in the short term there is the risk that gilts will fall in price, and in the long term, there is the risk that inflation will erode their real value.

So in current market conditions, a fund yielding 10 per cent, after expenses, must surely involve some risk. And if it did not, why would all the pension funds bother to hold gilts and Treasury bills?

Now, you may say, I am missing the point. These charts at Foreign & Colonial are Morgan Grenfell are much cleverer than you and I, a

options, giving other investors the right to buy their shares. If the stock market goes down, then the shares in the fund portfolios will fall, and the options will not be exercised. In a long, steady bear market, the attractiveness of call options would reduce, and the funds' incomes from premiums would probably fall. In such a case, the fund's total income will not be maintained.

To be fair to Hypo F&C, Morgan Grenfell, they have made this quite clear. In its week's statement, it says: "These funds should not be confused with guaranteed income funds; the two funds actively managing a diversified market conditions. Neither capital, nor the level of income, are guaranteed." Whether investors who have bought these funds are disappointed or not, these factors is another matter.

The whole issue of high income products is obviously of great concern to regulators. In some instances, rather more probably than in the case of the Hypo F&C

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Spot the anomaly, then spot the risk

By Philip Coggan, personal finance editor

The launch of Hypo Foreign & Colonial Higher Income Plan was, in retrospect, perfectly timed. Savers just starting to wake to the impact of falling interest rates on their investment income; 10 per cent yield looked good to miss. Some highly enthusiastic mailshots from independent financial advisers helped make it an enormous marketing success.

The product was undeniable. The new (Morgan Grenfell has since launched a similar plan) and clever. The fund was able to offer such a high income return after deducting its charges by using options, if you sell (or "write") an option you receive a premium. By writing a large number of options, the fund could generate a high premium income which, through a complex process, was passed back to investors.

For those of us who were concerned about the fund's weekly developments have been particularly interesting. First, Saye & Prosper abandoned plans to launch a fund on similar lines; second, the

of all this? One can become so distracted by the detail of computer models and option premiums, that one falls to see the broader picture.

There is a risk-free return in any market, which represents the return on short term government debt. At the moment, short-term UK government debt (Treasury bills) yields around 5 per cent.

Investors can earn more (around 7 per cent) from long dated gilts, but they do involve some risk. The credit risk that the government will fail to repay the debt is fairly minimal. But in the short term there is the risk that gilts will fall in price, and in the long term, there is the risk that inflation will erode their real value.

So in current market conditions, a fund yielding 5 per cent, after expenses, must surely involve some risk of capital. If it did not, why would all the pension funds bother with gilts and Treasury bills?

Now, you may say, I am missing the point. These charts at Foreign & Colonial and Morgan Grenfell are much cleverer than you and I, a

concentrate on the risk factors. The funds are writing contracts, giving other investors the right to buy their shares. The stock market has risen more than the shares in the fund portfolios will fall, and the options will not be exercised in a long, steady bear market. The attractiveness of the funds' incomes from premiums would reduce, and the funds' incomes from premiums would probably fall. In short, there is a risk that capital and income will not be maintained.

To be fair to Hypo F&C Morgan Grenfell, they have made this quite clear. In the week's statement, they said: "The funds should not be confused with guaranteed funds; the two funds are actively managed according to market conditions. Neither capital, nor the level of income, are guaranteed. Whether investors who have bought these funds through intermediaries are aware of these factors is another matter. The funds' high income products is obviously of great concern to regulators. In some instances rather more probably than in the case of the Hypo F&C

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| | Price y'day | Change on week | 1993 High | 1993 Low | |
|-----------------------|----------------|-------------------|--------------|-------------|-------------------------------------|
| FT-SE 100 Index | 3261.3 | +27.1 | 3277.4 | 2737.6 | Interest rate optimism |
| FT-SE Mid 250 Index | 3801.3 | +34.8 | 3801.3 | 2876.3 | Growth stocks sought |
| Abbey National | 486 | +14 | 487 | 345 | Interest rate optimism |
| BP | 315 | -17 | 362½ | 225 | US investors turn sellers |
| Courtaulds Textiles | 469 | -87 | 608 | 421 | Profits warning |
| Land Securities | 794 | +37 | 797 | 435 | Strong properties |
| Lesmo | 104 | -10 | 195 | 97 | Chairman to resign / dividend fears |
| Lloyds Abbey Life | 425 | -24 | 468 | 403 | SIB probes life/pensions sales |
| London International | 117 | -31 | 274 | 97 | Disappointing figures |
| Midlands Electricity | 688 | +44 | 693 | 424½ | Interim dividend increased 30.5% |
| Northern Ireland Elec | 250 | +39 | 272 | 100 | Excellent interim figures |
| Sasthi & Sasthi | 147 | -33 | 186 | 142 | Gloomy trading statement |
| Signet | 15½ | -6¼ | 41½ | 11 | Worries over trading |
| Standard Chartered | 1212 | +59 | 1259 | 576 | Dividend optimism / stock shortage |
| Wellcome | 627 | -57 | 993 | 600 | Concern over anti-herpes treatment |

The figure consists of two side-by-side line graphs. The left graph is titled 'Nikkei 225 index' and shows the index value in '000' on the y-axis (ranging from 16 to 22) against time on the x-axis (labeled 1993). The line shows a general upward trend with significant volatility, peaking near 22 in early 1993 before a sharp drop. The right graph is titled 'French franc' and shows the value 'Against the DM (FFr per DM)' on the y-axis (ranging from 3.35 to 3.55) against time on the x-axis (labeled 1980). The line shows a general downward trend with significant volatility, starting around 3.40 in 1980 and ending around 3.35 in 1989, with a label 'Old floor' pointing to a horizontal line at approximately 3.40.

The Tokyo stock market fell for the first half of last week, but recovered to some extent. The Nikkei index closed yesterday at 17,257.43, compared to 17,459.35 last Friday, having hit a low for the year of 16,078.71 on the previous Monday. By Wednesday this week the index had fallen to 18,507.95, but comments by the governor of the Bank of Japan caused the market to rally on Thursday.

The market's main preoccupation during the week were the prospects for a government fiscal stimulus package, together with a rise in the interest rate cut, and the continuing run over possible rice imports. The outlook from the Tankan survey of business confidence on Friday had little impact, as its contents had largely been expected by investors.

The French franc climbed back above its old exchange rate mechanism floor against the D-Mark this week, for the first time since prices were set by ERM last August, when the franc was part of a general strengthening of ERM currencies against the D-Mark. However, on Friday afternoon the franc slipped back below its pre-August floor, to trade at 3.426 against the D-Mark, after hitting a high of 3.4202. A week earlier, the franc was trading at 3.365 against the D-Mark. The Belgian franc putted back above its pre-August ERM floor last week, and the Danish krone has also been pushing towards its old band.

The Financial Times was awarded the title of Newspaper of the Year by the organisation Proshare this week. Companies were asked which newspaper had done the most to encourage wider share ownership and by an overwhelming majority, they voted for the FT.

Readers who want a concise reminder of the tax rates which apply for 1994-95 can get a free booklet by sending an s.a.e. to: Blake Martin, Pannell Kerr Forster, Liverpool L3 5UN.

Last week's piece on Enterprise Investment Schemes said qualifying companies must have traded for three years. In fact, they must trade for a minimum of three years after tax relief is obtained.

Smaller companies have enjoyed a healthy rally over the last fortnight. The Hoare Govett Smaller Companies Index (capital gains version) rose from 1576.43 on November 25 to 1604.65 on December 2 and 1809.28 on December 9, for an overall gain of 2.1 per cent.

Unease dilutes the spirit of Christmas

| Date | Share Price (p) |
|--------|-----------------|
| Oct 1 | 3,580 |
| Oct 5 | 3,600 |
| Oct 10 | 3,620 |
| Oct 15 | 3,650 |
| Oct 20 | 3,680 |
| Oct 25 | 3,700 |
| Oct 30 | 3,630 |
| Nov 5 | 3,680 |
| Nov 10 | 3,720 |
| Nov 15 | 3,680 |
| Nov 20 | 3,690 |
| Nov 25 | 3,700 |
| Nov 30 | 3,700 |

Source: FT Granite

showed an unexpected decline. This sparked fresh selling of shares such as Intel, National Semiconductor, Motorola, Texas Instruments, and Advanced Micro Devices.

Although the Dow was able to shrug off the losses in the technology sector, any suggestion that semiconductor sales will slow down in 1994 should give investors pause. The concern, because the industry

plays such a big part in the economy's overall growth.

If there is a significant downturn surrounding the outlook for share prices, analysts remain somewhat surer about where interest rates are headed next year. The problem is, they are sure rates are going up. What they remain uncertain about is when rates will rise, and how fast.

Although long-term interest

rates fell this week - the yield on the benchmark 30-year government bond edged lower from 6.23 per cent to 6.17 per cent - it was mostly a reaction to further declines in oil prices.

Underlying sentiment in the bond market remains weak because the economy is strengthening, and the Federal Reserve is expected to react to that strength by tightening monetary policy some time next year.

The Fed is not going to wait until inflation shows signs of reviving before tightening policy, either. David Mullins, its vice chairman, said as much at the start of the week when he talked of the need for "vigilance" in view of the latest spurt in economic growth.

Still, the Fed has not been so just worried about rising interest rates because of the effect they would have on corporate investment and consumer borrowing. People are also afraid of what a rate hike, particularly an aggressive rate hike, would do to market sentiment.

Bond prices have been in declining trend for the past two months so, in a certain

extent, a monetary tightening by the Fed is priced into bonds already. Stocks, however, have been either breaking records or staying close to all-time highs. There is simply no room in share prices at the moment to handle a rate increase. If the Fed decides to launch a pre-emptive, and solid, strike at inflation by tightening early next year, the stock markets could take a big hit.

But the underlying strength of the economy would help to absorb the impact of the blow, but investors would be worried not so much over what rising rates might do to the economy as about what they might do to the flow of investor funds into stocks.

If short-term interest rates rise decisively next year, investors who shifted millions of dollars out of short-term money market funds into stocks might just start thinking about doing the reverse.

Patrick Harverson

| | | |
|-----------|---------|---------|
| Monday | 3710.21 | + 06.14 |
| Tuesday | 3719.88 | + 08.67 |
| Wednesday | 3734.53 | + 15.65 |
| Thursday | 3728.78 | - 04.70 |
| Friday | | |

When success is not enough

September 30 compared with £749,000 for the year to October 31 1992. Airtours, however, should serve as a warning to Inspirations that not even consistent success is enough to impress the stock market.

Airtours' pre-tax profits in 1993 were £45.5m, after £3m

spent on a failed attempt earlier this year to take over Owners Abroad. Profits before bid costs were £54.5m, up 49.2 per cent on last year. After bid costs, they were up 24.6 per cent.

This year's figure after bid costs is an increase of 65.5 per

cent on profits of \$27.51m in 1991 - and 74.7 per cent higher than the 1989 figure of \$5.31m. Airtours' shares have not done badly. From a low of 39p at the end of January 1991, they closed yesterday at 46p. But with expected profits of 358m this year and a dividend per share of 12.5p, the shares are on a prospective multiple of only 11, a little mean for a group that has shown such growth through the recession.

The package tour industry does seem established far better than in 1981, when Harry Goodman's International Leisure Group, then the second biggest operator, collapsed. Indeed, Airtours - like its rivals, Thomas Cook and the now bankrupt Royal Sun, now has a new retail chain, ensuring distribution outlets for its holidays.

Inspirations has learned the benefits of vertical integration from its larger competitors.

It has struck a deal with with A.T. Mays, the fourth-largest travel retail chain.

This guarantees that around 10 per cent of the shelf space in Mays' 328 outlets will be occupied by Inspirations brochures.

In return, Inspirations has undertaken to acquire 50 retail outlets by the end of next year, which will be run by Mays for a management fee. Fatch says the position of independent travel agents is so poor that they may have to take 3 to 5 per cent of their turnover, compared with 10 per cent a few years back.

But however hard tour operators try, investors still fear disaster is around the corner. When Owners Abroad beat off the Airtours bid it promised shareholders a rosy future.

Soon after, it announced that profits this year would be half market expectations and that the chairman and managing director were resigning - guaranteeing sickly p/e ratios for the whole sector.

Michael Skaninker

Michael Skaninker

It has been a good year to be invested in equities. Strong signs of a UK recovery, low interest rates and low inflation have combined to make investors switch out of cash and into shares and bonds. The London stock market is hovering around its all-time high.

The FT-SE 100 index has risen 14.9 per cent this year. The FT-A All-Share Index was up 17.8 per cent. Throw in 3.4 per cent for dividend yield and investors have enjoyed a gross return of more than 20 per cent. With deposits paying 6 per cent for most of the year, it is small wonder that private investors have been buying unit trusts in record numbers.

As usual, the annual list of leaders and laggards shows that not all investors will have been lucky. The table's worst-performing Footsie stock, for example, includes many companies which investors would normally consider "safe", food retailers such as Asprey, Sainsbury and Tesco, growth stocks such as Wellcome.

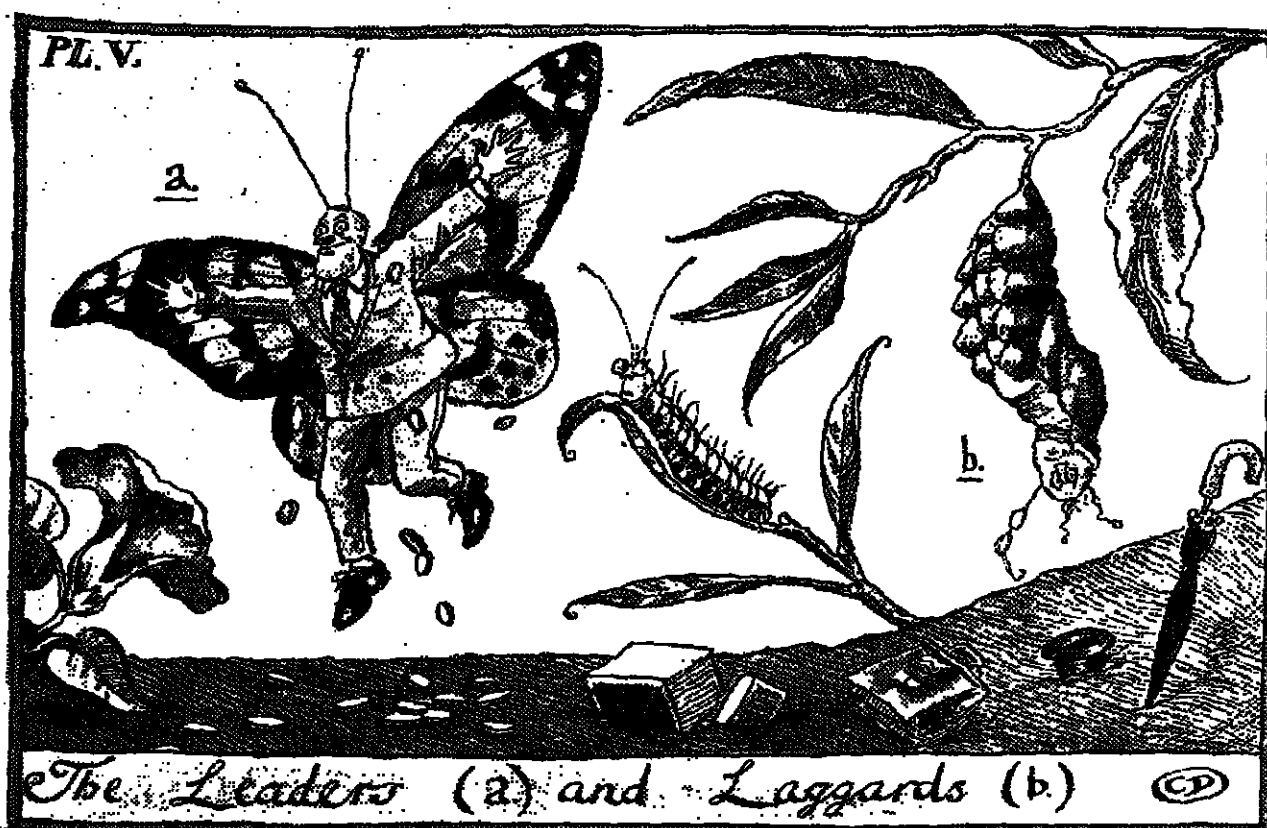
In particular, the cyclical shift during the recession, investors concentrated on defensive stocks. They bought supermarket shares because consumers would always eat food; they bought drug stocks because people would always get sick. Wellcome and Glaxo were the best performing shares of 1991.

Now that the recession seems to be over, investors have moved into the so-called cyclical stocks, which stand to gain most from recovery. Hence the appearance of British Aerospace and British Steel, two 1991 laggards, at the top of this year's leaders list.

But the reasons are not all cyclical. The food retailers are suffering because of fears that they over-expanded in the 1980s by opening too many supermarkets. Competition may force down their margins.

The food retailing sector is the worst performing of all the FT-Actuaries sectors this year. Worst hit was Argyl which warned that its profits would be reduced by about £40m because of its decision to start denuding its store ranges.

In the Footsie leaders list, bank and property shares are dominant. Both sectors suffered in the recession. Banks now appear to be benefiting from the effect of lower interest rates on their bad debt problems, buoyant securities markets and improvements in management.



FINANCE AND THE FAMILY

Skiing into trouble

Insurance is a must on snow holidays, reports Bethan Hutton

Skiing holidays can do strange things to your perception of risk. Normally cautious and unsporty types launch themselves down steep, icy slopes towards cliff edges and pine trees without blinking an eye. Some even watch fanatics jumping off mountain tops with parachutes and think "I could do that." A few, feeling their youth slipping away, may try to play teenagers on snowboards at their own game.

If you are tempted to such recklessness, but then find yourself hurtling out of control towards a group of American lawyers, it might not be much comfort at the time to know that you have £1m worth of medical cover and another £1m personal liability. Later, you could be profoundly relieved.

Insurance is essential for skiing trips, but make sure you know what you are covered for. Snowboarding is acceptable to most insurers, but many of them balk at the idea of parapets - parachuting from mountaintops. Heliskiing is equally unpopular.

Off-piste skiing is a tricky point. A few feet the wrong side of the piste marker is one

| | INCLUSIVE SKI INSURANCE | | | |
|-------------------|-------------------------|----------|--------------|---------|
| | Europe | | US/Worldwide | |
| | 10 days | 17 days | 10 days | 17 days |
| AA Travelcare | £44 | £44 | £96.50 | £96.50 |
| Blissopgate | £30.25 | £34.85 | £74.80 | £93.85 |
| BUPATravel | £31.20 | £34.70 | £55.40 | £82 |
| Columbus | £20 | £25/£268 | £45 | £59 |
| Crispin Speers | £28 | £30 | £50 | £55 |
| Douglas Cox Tyrie | £31 | £37 | £82 | £74 |
| Fogg Travel | £33 | £41.25 | £89.50 | £89.50 |
| Fritzell | £38.20 | £38.50 | £66.40 | £77 |
| Norwich Union | £31.95 | £37.20 | £84.25 | £103.15 |
| Thomas Cook | £31.50 | £41.60 | £44.75 | £61.95 |

* 8 days + 9 days £5 24 days + 15 days + 31 days.
Rates valid until at least December 1993 - some will rise in January.

thing, but swooping across an avalanche-prone slope on the wrong side of the mountain is quite something else. Most of the specialists cover off-piste automatically but tour operators' own travel insurance, besides being more expensive, tends to have more exclusions. Drinking and skiing can be as dangerous as drinking and driving, although it remains more socially acceptable (at least in Europe). If you have an accident after several *gibberish* too many, most insurance companies could theoretically refuse to pay up, citing clauses which oblige skiers to take "reasonable care."

But since mountain rescue teams do not usually carry breath analysers, claims are unlikely to be challenged.

Last year, specialist insurer Douglas Cox Tyrie took the controversial step of excluding theft of skis while unattended and unsecured. Thousands of pairs of skis are left propped outside mountain restaurants every day, but this clause meant you could not claim if yours were stolen. Other insurers refused to take the same view, however, and cover for unattended skis is now back. The most important elements of ski insurance are medical expenses and personal

liability cover. After that, you might want cover for general baggage and ski equipment, plus cancellation, curtailment and delay. Then there is piste closure or no-snow cover, which pays out if your skiing holiday turns into a mud-sliding one.

Some policies cover only the absolute essentials: Douglas Cox Tyrie's "mini ski" policy is just for medical expenses, personal liability and personal accident insurance. This is aimed at people whose luggage is protected under home contents insurance and who can do without cancellation and no-snow cover.

Fogg Travel also has a basic medical and liability-only package, called *Medicaid*. The selling point is that, as the name suggests, the insurance comes with a card recognised as proof of insurance by mountain rescue services and hospitals in most European and some American resorts.

Thus, those unlucky enough to need assistance do not have to hand over their credit card first (or have their skis ripped off their feet as security). Medicaid costs £16 for up to 17 days in Europe, and £36 for the rest of the world.



If you go skiing more than once a season, you might be interested in DCT's Flexiski package. This covers you for the whole season and any number of trips, although none of them can be for longer than 28 days. The policy costs £45 for the mini-ski cover and £85

for comprehensive protection. Some people seem still to believe - dangerously - that paying for their holiday by credit card and carrying a form £111 is all they need for insurance. But this is not the case unless yours is one of the few gold cards which does provide

full annual travel insurance. The £111, which entitles British citizens to reciprocal medical care in the EC and some other countries, makes it cheaper to consult state doctors - but it does not run to mountain rescue services or private clinics. Even when the

£111 can be used, you might have to pay cash at the time and reclaim it when you get home.

The table gives an idea of comparative prices, but details of cover vary and it is important to check relevant points before choosing a policy.

Budget turns CGT into a minefield

Investors calculating their capital gains tax bills since the Budget change need to be both intrepid and patient since they face formidable calculations.

The withdrawal of indexation to increase or create losses took effect from the beginning of Budget day and some readers have asked how to deal with "pooled" shares - those in the same company bought at different dates.

CGT is complicated partly because the legislation has evolved piecemeal. The tax was introduced in 1965 but indexation was not implemented - initially, in a limited way - until April 6 1982 and was extended to losses by Chancellor Nigel Lawson in 1985.

With 1982 as the dividing line, shares bought after April 5 that year are lumped together in one category while those bought in previous tax years are treated separately. If you bought several lots of shares in the same company after April 5 1982, the cost of each share for CGT purposes is the average cost of acquiring

the shares in the pool (except shares sold within 10 days of acquisition).

The cost of shares bought before 1982 is put at their market value on March 31 1982, if you have elected to ignore the original cost of all assets held on that day.

You have a separate pool for each company and for each class of share. You must keep tally of the actual spending and indexed spending of your pool each time there is a sale or purchase. The indexation allowance is then the difference between the indexed spending and the actual unindexed spending.

What is the effect of the Budget change on the calculations? The following examples are provided by chartered accountant Touche Ross.

■ Pooled shares bought after April 5 1982
Suppose you bought 1,000 shares in April 1982 (after April 5) for £2,000 and another 1,000 in the same company in September 1981 for £2,000. You sold 1,000 shares on November 29 for £4,000 and the remaining

1,000 shares on Budget day for £4,000 as well. You have made an overall (unindexed) loss of £1,000, since you paid a total of £4,000 for the shares but sold them for £3,000.

Using the indexation factors released by the Inland Revenue, and published each month in the *Weekend FT*, the

Scheherazade Daneshkhu plots a watchful path through the maze

indexed cost of the April 1982 batch of shares, up to the purchase of the second batch, is £2,322 (£2,000 x 1.161 - the indexation factor from April 1982 to September 1981). Add to this the spending on the second batch to get £4,322. You sold shares on November 29. The new indexed cost is £10,870 (£10,332 x 1.053 - the indexation factor from September 1981 to October 1982, the last month for which figures

are available). Since half the shares were sold on November 29, the indexed cost of the 1,000 shares sold on that day is half the total indexed cost, namely £5,435 (£10,870 ÷ 2). The proceeds from the sale were £4,000, leaving you with an allowable loss of £1,435 (£5,435 - £4,000).

The situation for the shares sold on Budget day is very different. The proceeds must be deducted from the unindexed cost of £4,500 (half the £9,000 for which the two batches of shares were bought), leaving you with an allowable loss of only £500.

If you had sold all the shares on November 29, your allowable loss would have been £2,570, instead of £1,435 as a result of postponing the sale of half of them until Budget day. Pooled shares bought both before and after 1982. Suppose you held 1,000 shares on April 5 1982 with a March 31 1982 value of £2,000. You bought another 1,000 shares in the same company in June 1986 for £7,000 and you sold the whole lot for £8,000 last month.

If you sold them before Budget day, your allowable loss is £5,720. This is arrived at by multiplying the price paid for the shares by the relevant indexation factor to obtain the indexed cost of the shares. The indexed March 31 1982 value of the first 1,000 shares is £2,570 (£2,000 x 1.285). The indexed cost of the second 1,000 shares is £10,150 (£7,000 x 1.450).

The proceeds of £8,000 must be subtracted from the sum of these two indexed costs, leaving you with an allowable loss of £5,720 (£13,720 - £8,000). If, however, you sold the shares on Budget day, your allowable loss would be much less.

The deemed cost of the March 31 1982 shares is still indexed to £2,570 (because that is less than the £4,000 proceeds); but the second 1,000 shares, which you bought for £7,000, cannot be indexed since that is more than the £4,000 proceeds. Adding the two figures together and subtracting the total proceeds of £8,000 leaves you with an allowable loss of only £2,570 (£10,570 - £8,000).

Lenders lower rates

With the Budget out of the way, most lenders felt safe emerging from purdah this week, after the half percentage point cut on November 23, to announce changes to their mortgage and savings rates.

Halifax, the largest lender, said on Tuesday that it was reducing its standard variable mortgage rate for new borrowers, by 0.35 of a point to 7.64 per cent, its lowest for 25 years. The new rate comes into effect for existing borrowers from January 1. The reduction means a drop in payments of £11.75 a month for a £60,000 repayment mortgage.

The new mortgage rate undercuts Nationwide, National & Provincial, National Westminster and Lloyds banks which had all lowered their rates by 0.35 of a point to 7.74 per cent soon after the base rate reduction.

N&P subsequently reduced its rate to match Halifax. There are now two main mortgage rate camps: those following Halifax with a standard variable rate of 7.64 per cent which include Alliance & Leicester, Cheltenham & Gloucester, TSB, N&P and Derbyshire, and those following Nationwide with 7.74 per cent. These are Abbey National, Leeds Permanent, Lloyds, NatWest and Midland Bank.

Savers dependent on deposits face a further erosion in income. Institutions are following their usual policy of mak-

ing their savers feel the pain of falling interest rates well before their borrowers who have to wait, for the most part, until January before they benefit from the drop in mortgage rates. Moreover, savings rates are cut more deeply than mortgage rates.

Royal Bank of Scotland, for example, is passing on the full 0.5 point reduction to borrowers, taking its mortgage rate to 7.49 per cent but it has also reduced interest on Royal Reward, its 90-day bonus account, by up to 0.9 of a percentage point off the gross rate on most bonds. Someone in the £10,000-£24,999 band receives 4.3 per cent gross (with a 2 per cent bonus if no withdrawals are made in a year).

Leeds Permanent has reduced gross rates on its Liquid Gold instant access account and Solid Gold, three month notice account by a more modest 0.35 of a point across most bands. The gross rate on a deposit in Liquid Gold between £10,000-£24,999 is 4.7 gross (3.53 net). It is 5.4 per cent gross (4.05 net) in the same band in the Solid Gold account.

Britannia building society has cut its mortgage rate from 7.99 per cent to 7.75 per cent and reduced savings rates mostly by 0.5 of a percentage point. Alliance & Leicester has reduced its Bonus 90 savings account by between 0.25 and 0.4 of a point while Nationwide has cut most of its savings

rates by 0.5 of a point. C&G's London Share postal account now pays 6.05 per cent gross (4.54 net), down from 6.25 gross and C&G has also cut almost all its other savings accounts. Lower interest rates have spawned a batch of fixed mortgage rates (all have early redemption penalties). NatWest's new rates are 6.25 per cent until January 31 1994, 7.25 per cent to January 31 1995 and 7.95 per cent to January 31 2004. The arrangement fee is £250 and there are no insurance tie-ins.

Nationwide's new five-year fix is at 7.25 per cent. The valuation is free and the fee of £250 is refundable on completion. C&G's five-year fix at 6.99 per cent, launched last month, is still available for an application fee of £250. TSB is offering a capped rate of 7.25 per cent until February 28 1999 in addition to its existing cap of 6.75 per cent until February 28 1997. Arrangement fees are £250 and £195 respectively. The society's buildings and contents insurance has to be taken out.

Alliance & Leicester's new range is from 5.45 per cent on a one year fix to 7.4 per cent for five years. The arrangement fee is 0.5 per cent of the loan up to a maximum of £300 and borrowers must take out buildings and contents insurance through the society.

Scheherazade Daneshkhu

A daughter's greedy friend

Q&A

BRIEF CASE

My wife and I have drawn up reciprocal wills under which all our estate on the death of one of us will go entirely to the survivor and, in the event of the latter's death, the remainder will be divided equally between our spinster daughter and our married son.

However, a problem has arisen in that our daughter is living with a woman partner whose domination and complicity lead me to think that she will share in any legacy bestowed on our daughter. I have no wish that this woman should benefit under my own will.

Without necessarily obliging my wife to follow suit, I would like advice on how to make sure that the part of our joint estate which goes to our daughter does not pass under the control of her lesbian friend.

The estate is to be administered by our solicitors, acting as trustees. At present, your children would receive the estate absolutely on the death of the survivor of yourself and your wife. This could enable your daughter's friend to enjoy the property.

It might be more appropriate for you to draw up a will trust so that, on the death of the survivor, the income is payable to your daughter but she has no entitlement to the capital other than at the discretion of the trustees.

It is, of course, crucial that the trustees are chosen carefully, and you might wish to leave a side letter instructing them how they are to act.

In this event, the income would be your daughter's as of

right and her friend could enjoy part of it - but not the capital.

If, however, your daughter made an adequate case to receive an element of the capital within the trust, then the trustees could be happy to advance capital if they were satisfied that her friend would not enjoy that capital at the same time.

An alternative form of trust which could be even more appropriate is a discretionary one, under which payments of income or capital could be made to your daughter only at the discretion of the trustees without her having any entitlement to payment as of right.

In any case, I suggest that both of you take legal advice on re-drafting your wills.

This reply was provided by Barry Stillerman of accountant Stoy Hayward.

Pension payments

I am self-employed and subscribe to a personal pension plan. I also claim capital allowance on my tax.

Is the maximum contribution that I can pay to my pension plan based on my gross earnings before or after capital allowances?

It is based on your earnings after deducting capital allowances (by virtue of sections 840(1) and 846(2)(d) of the Income and Corporation Taxes Act 1988). Ask your tax office for the free pamphlet IR78 (Personal pensions: a guide for tax).

| HIGHEST RATES FOR YOUR MONEY | | | | | |
|--|------------------------------|-------------|-----------------|--------|-----------|
| Account | Telephone | Notice/term | Minimum deposit | Rate % | Int. paid |
| INSTANT ACCESS A/cs | | | | | |
| Coverity BS | Extra Interest 0203 252277 | Instant | £1,000 | 6.50% | Y/y |
| Skipton BS | High Street 0756 705511 | Instant | £2,000 | 6.75% | Y/y |
| Northern Rock BS | Postbox 0500 505000 | Postal | £10,000 | 6.85% | Y/y |
| | | | £20,000 | 7.10% | Y/y |
| NOTICE A/cs and BONDS | | | | | |
| North of England BS | Edinburgh 30 091 510 0949 | 30 Day | £25,000 | 7.25% | Y/y |
| Teachers' BS | Minster 90 0800 378689 | 90 Day | £1,000 | 6.50% | Y/y |
| National Counties BS | 80 Day 0372 742211 | 90 Day | £10,000 | 6.80% | Y/y |
| Chelsea BS | Base Rate Plus 1 0500 272505 | 1.45% | £5,000 | 7.50% | Y/y |
| MONTHLY INTEREST | | | | | |
| Coverity BS | Extra Interest 0203 252277 | Instant | £1,000 | 6.30% | M/y |
| Bristol & West BS | Balmoral Monthly 0800 100117 | 30 Day | £10,000 | 6.55% | M/y |
| | | | £25,000 | 7.11% | M/y |
| West Bromwich BS | 180 Day 021 525 7070 | 180 Day | £50,000 | 7.35% | M/y |
| TESSAS (Tax Free) | | | | | |
| Hinckley & Rugby BS | 0455 251234 | 5 Year | £25 | 8.05% | Y/y |
| Durham BS | 0383 721821 | 5 Year | £3,000 | 7.90% | Y/y |
| Dudley BS | 0384 221414 | 5 Year | £10 | 7.75% | Y/y |
| Progressive BS | 0232 244825 | 5 Year | £1 | 7.75% | Y/y |
| HIGH INTEREST CHEQUE A/cs (Gross) | | | | | |
| Caledonian Bank | HICA 031 536 8235 | Instant | £1 | 5.00% | Y/y |
| Chelsea BS | Classic Postal 0800 717515 | Instant | £2,500 | 6.00% | Y/y |
| | | | £25,000 | 6.80% | Y/y |
| Northern Rock | Current 0800 591500 | Instant | £50,000 | 6.89% | M/y |
| OFFSHORE ACCOUNTS (Gross) | | | | | |
| Woolwich Guernsey BS | Woolwich Int'l 0481 715735 | Instant | £500 | 8.25% | Y/y |
| Derbyshire JOM Ltd | 90 Day Notice 0254 933432 | 90 Day | £10,000 | 6.75% | Y/y |
| | | | £50,000 | 7.80% | Y/y |
| Yorkshire Guernsey Ltd | Key Term 0481 710150 | 31.8.94 | £5,000 | 6.70% | Y/y |
| GUARANTEED INCOME BONDS (Net) | | | | | |
| Consolidated Life FN | 051 940 8343 | 1 Year | £2,000 | 4.30% | Y/y |
| Prosperity Life FN | 0800 521546 | 2 Year | £25,000 | 4.78% | Y/y |
| Financial Assurance FN | 081 367 8000 | 3 Year | £50,000 | 5.20% | Y/y |
| Financial Assurance FN | 081 367 8000 | 4 Year | £50,000 | 5.65% | Y/y |
| Liberty Life FN | 081 440 8210 | 5 Year | £5,000 | 6.00% | Y/y |
| NATIONAL SAVINGS A/cs & BONDS (Gross) | | | | | |
| Investment A/C | | 1 Month | £20 | 6.25% | G |
| Income Bonds | | 3 Month | £2,000 | 7.00% | M |
| Capital Bonds G | | 5 Year | £100 | 7.75% | O/M |
| First Option Bond | | 12 Month | £1,000 | 6.94% | Y/y |
| NAT SAVINGS CERTIFICATES (Tax Free) | | | | | |
| 40th Issue | | 5 Year | £100 | 5.75% | O/M |
| 8th Index Linked | | 5 Year | £100 | 3.25% | O/M |
| Childrens Bond E | | 5 Year | £25 | 7.80% | O/M |

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable). OM = Interest paid on maturity. No Net Rate. A = 10 days. Rate guaranteed to be 1.5% above base rate (min 7.5%) until 2.4.94 and then 1% until maturity. B = 30 days. Rate guaranteed to be 1.5% above base rate (min 7.5%) until 2.4.94. G = 0.5 per cent on balances of £25,000 and over. H = 7.25 per cent on balances of £25,000 and over. I = 6.74 per cent on balances of £25,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NR23 0BD. Readers can obtain a complimentary copy by phoning 0862 500677.

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MINDING YOUR OWN BUSINESS / FINANCE AND THE FAMILY

Joust one of those things

Nineteen years ago, Trooper Anthony Edwards was a Queen's Life Guard when, aged 23, he fell from a horse and broke his back. Since then, he has broken his pelvis, too; that kept him out of the saddle for 18 months.

Now, though, he rides again - with the Quorn Hunt - and doubles up each summer as the Black Knight, staging "authentic" jousting as seen in the 12th century, and leading a 16-strong troupe of knights, squires, men-at-arms, assorted jesters, minstrels, falconers, fire-eaters, acrobats, dancers and story-tellers.

He also owns a restaurant, Squires, which he opened this spring near the village of Burton-on-the-Wolds, a few miles from Melton Mowbray in Leicestershire. Squires, which is a partnership with Trevor Eggleston - a farmer who

on a good night in the restaurant we had created," Edwards said.

Squires is already beginning to supplement the Edwards' family fortunes, which were at a low ebb in October 1992 when debts were rising at an alarming rate. "Black Knight had been going eight years - I had been running it in parallel with the successful pub business," Edwards said. "But we had lost £27,000 on a property and large piece of land near Marble in southern Spain that we had unsuccessfully tried to buy as the location for the first Squires restaurant."

"Under the Spanish trespasso (lease) system, if you can't raise all the money you forfeit the money you originally put down. In our case, we were just £6,000 short of the £33,000 needed to buy a plot that made £6.35m when it was next sold."

So when, in 1992, the chance to team up with Eggleston presented itself, Edwards saw it as the ideal way to restore his fortunes and keep the Black Knight on his charger. "The boys would be devastated if Black Knight were to close down," Edwards said. "They are all as fanatical about jousting as me. Like me, many of them have been enthusiasts since their youth."

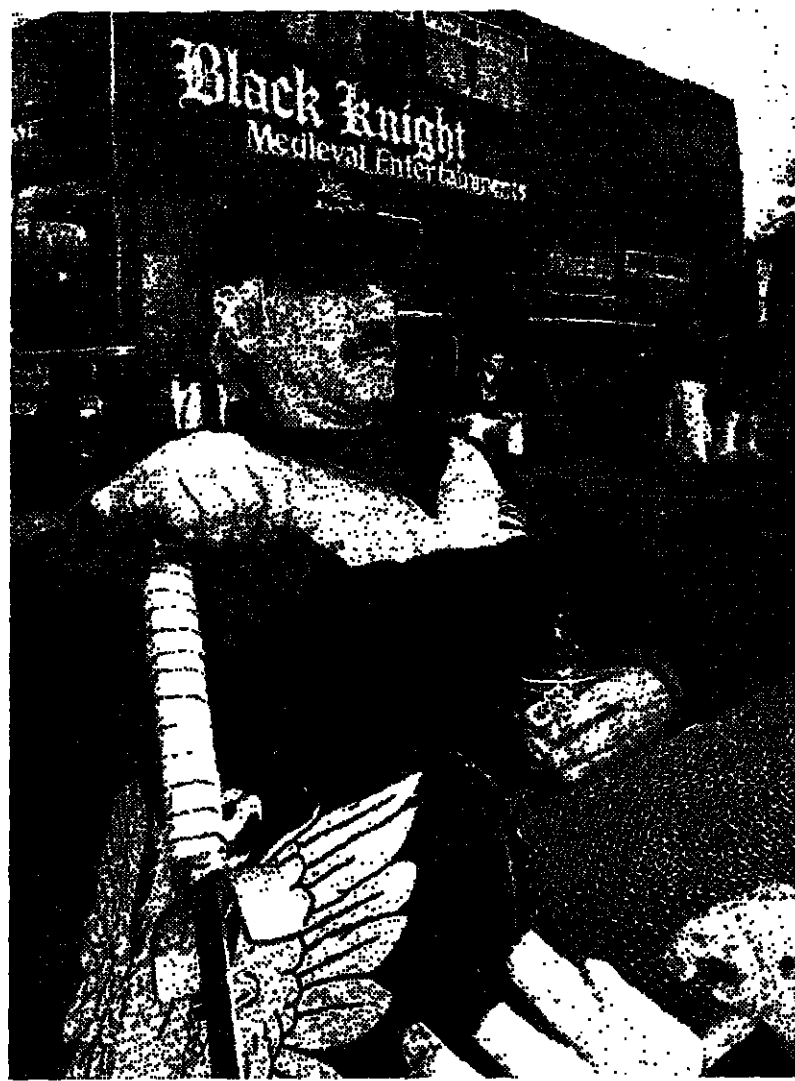
"The boys," 23 of them, include day-time storemen, carpenters, car mechanics, a stone mason and several students. All unpaid volunteers, they gladly pay their own insurance and are the core from which the 16-strong troupe is chosen when, nearly every weekend in the summer months, the Black Knight takes to the road.

The troupe owns six horses and a 1976 Scania bus bought from Leicester city council. The bus transports and sleeps the horses, the performers and two grooms as they travel around Britain.

The company gives two carefully-choreographed jousting performances which last 30 minutes and 40 minutes. Black Knight charges £2,000 for the total 70-minute show. Every move is rehearsed meticulously.

In a good year, the troupe will do 25 shows, grossing around £50,000. Although Edwards aims at 20 per cent profit after paying the expenses of his volunteers and other costly items such as the upkeep of the horses, he rarely reaches this figure.

"In 1986, when I gave up the pub, I was earning £30,000 a year," he said. "But we sold our large house with five bedrooms and three bathrooms to finance the Spanish venture so, since



A relaxed knight: Tony Edwards takes a break from jousting

then, life has been very hard-mouth."

Edwards' fertile mind has alighted, however, on another grand strategy to raise capital and run in parallel with both Squires and the Black Knight. Next spring, he will launch the Black Knight Medieval Banqueting and Jousting Roadshow.

This is an attempt to move the Black Knight show indoors so that it is available to both corporate and private clients throughout the year. Edwards has an interest-free, hire purchase arrangement with the manufacturers for a 200 ft by 50 ft tented pavilion to house the mobile medieval experience. The tent costs £65,000 but Edwards will pay for it over two years. He has had to pay only £6,500 so far.

The indoor shows will feature a display of skills including jousting (tilting at a target post), carouselling (picking up hoops with a lance) and pig sticking, as well as jousting and much hand-to-hand fighting with broad-

swords, double-handed swords, axes, balls and chains and staves. The rest of the evening will be taken up with a banquet and music, probably of a more modern kind.

"This has the potential of being a £1m business," Edwards said. "The full capacity of the tented structure is 35 and the cost is £35 a head. I reckon we need 30 shows a year to break even, but we have the capacity to do three shows a week for a 44-week season; that is, 132 shows a year. That's a turnover of more than £1.5m a year. I am aiming at 30 per cent profit - that is half a million pounds a year."

Edwards has written to 200 companies seeking sponsorship for the venture, to the tune of £25,000. "So far, 30 have refused, but we still have 170 to go," he said.

■ **Black Knight Medieval Entertainment.** The Stables, Frisky Turn, Frisky-on-the-Wreath, Melton Mowbray, Leicestershire LE14 2NS. Tel. 0509-830 980.

Computing/David Carter

Where accountants can meet Sonic

David Carter discovers a bargain PC which is ideal for small business users and their children

Earlier this year, Amstrad introduced the Mega PC, designed for small business users who want to do their accounts and correspondence at home and relax during the evenings by playing a computer game or two. The advertising trumpets it as "...the best of both worlds, a fully featured IBM-compatible PC and a Sega Megadrive-compatible console - all in one superbly engineered unit".

Sales were slow, but the price has been reduced from £999, first to £899, then recently down to £426 plus VAT.

My eight-year old son gave the thumbs up to the Mega Megadrive, but I was mainly interested in business applications. For some time now I have been looking for a cheap demonstration machine which I can take round to prospective customers. With a 386SX, 25 MHz processor, one megabyte of RAM and a 40 megabyte disk, the Mega PC makes an ideal small business computer.

The great attraction of the Mega PC is the price. I looked through the PC magazines but could not find anything near £426. There are one or two PCs at £699 plus VAT, but most are at least double the Mega's price.

I rang my local Ryman's Computer Store and asked if they stocked the Mega PC. "No sir, it's not powerful enough for a business machine," Dixie's told me the Mega PC was not available at all stores but they would be able to get hold of one for me. If they could not, what was their cheapest off-the-shelf machine? A PC with 486SX/25 MHz chip, 100 megabytes of RAM at £940: nearly twice the price of the Amstrad.

Impression that the minimum configuration for a PC these days is a 486SX/25 MHz processor, four megabytes of RAM, and a 100 megabyte disk drive. This is too. I have plenty of customers running their businesses quite happily on a PC with a 286 processor and a 20 megabyte disk.

So what's going on? The answer lies in one word: Windows. My customers running their businesses on a 286 are working under the DOS operating system. Windows - the "Graphical User Interface" which Microsoft has added on

accounts, the two principal reasons for which small businesses buy computers, Windows is unnecessary.

Indeed the tendency of Windows to short-circuit (in the jargon, to "crash") makes it an unsuitable platform to run a "mission-critical" application such as accounting. If your machine crashes at the wrong time you may corrupt the entire accounting database. For this reason Windows has made negligible inroads into the accounting marketplace (a recent survey by consultants Tate Bramall and the Institute of Certified Accountants found fewer than 1 per cent of companies use a Windows package to run their accounts).

The basic Mega PC comes with the DOS operating system, but you will need to buy a software package or two to run on it. TAS Books (236 from Megatech, 081-874-6511) is a good accounts package, or for the non-accountant there is Quicken for DOS (£42.51 from Intuit 0800-885058).

I would also go for a cheap "integrated" package combining word processor, spreadsheet and database. The best, and the one I give my customers, is Microsoft Works Version 3 for DOS (small order price about £39.95 from Computers by Post, 081-709-0141). But Works presupposes considerable prior knowledge of computer concepts. PFS: First Choice is less sophisticated and therefore easier to learn (£76.50 from PFS: First Publisher from Best Buys 0800-317307). Prices exclude postage and VAT.

■ You may have to shop around for an Amstrad Mega PC. It is available from retail chains such as Tandy, Comet, Tempro, and some branches of Deans. Alternatively try mail order suppliers such as P & P (071-265-4570) or Soesham Microsystems (0896-765500).

Windows' tendency to crash makes it unsuitable for 'mission-critical' application such as accounting.

to DOS - demands an enormous amount of machine power. So, while a 286 processor under small DOS will give you instant response, to get the same speed with Windows, you need a vastly more powerful, and hence more expensive machine, such as a 486SX.

Obviously, it is in the interest of manufacturers and retailers to persuade the public that they must have leading-edge technology running under Windows and a load of powerful and expensive machinery to run it. But the simple fact is that they do not.

The key benefit of Windows is in producing on-screen design work. If you produce reports which need to look good and to impress, or you need to produce complex documents which combine text, graphics and illustrations, Windows is great. But if you simply want to produce one-page business letters or to run your

Clive Fewins meets a Black Knight who has fought back from reverses

is Edwards' landlord, old friend and chief hacker - is a means of keeping Black Knight Medieval Entertainment solvent.

The jousts just about break even for the five months a year they operate with the help of much sweat, many tears, occasional (real) blood and a £9,000 overdraft from a sympathetic Leicester bank manager. "It is too soon to say if the restaurant will be a success," said Edwards. "But the building was a ruin when Trevor and I got cracking on it last October."

Trevor paid for all the conversion work, which we did together, and the building is now worth £50,000. If the venture should fail, Trevor will hold all the equity, minus what he pays me for my labours at the conversion stage."

So far, the signs are good. Squires operates in the evenings from Wednesdays to Saturdays and at lunchtime on Sundays, and the 38 covers are increasingly full. Edwards does the cooking, aided by a commis chef. His wife, Amanda, is in charge front of house, assisted by several part-time staff.

"When I took on a pub near here in 1974, it was taking in £200 a week. Twelve years later, when I left, we were turning over £250,000 a year and £1,000

Escaping the annuity trap

As rates fall, William Burrows suggests ways to achieve better returns

The Budget seems to have satisfied the markets that public spending and inflation are under control. As a result, the gilts market has rallied and, consequently, yields have dropped again. This has triggered more falls in annuity rates: five companies cut theirs last week.

With these rates at their lowest for more than 20 years, some advisers are arguing that conventional annuities are providing bad value for money because those holding them are being locked into a low-yielding investment from which there is no escape.

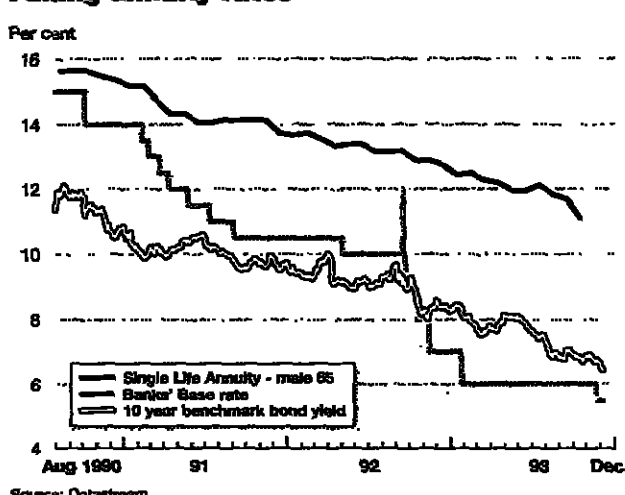
It is, however, now possible to escape from the annuity straitjacket by considering some other types of annuity. These include with-profits and unit-linked annuities, and self-invested annuities. The main advantage of these options is that those who have annuities are not locked into a low-yielding investment for life but can benefit from future investment returns.

The chart shows how annuity rates have fallen by nearly 25 per cent since 1990. Rates move in parallel to medium-dated gilt yields and, if interest rates fall, so will annuity rates (but not by the same degree). The timing of an annuity purchase is probably the most important factor when trying to maximise pension income. But correct timing is affected by three variables: annuity rates increase with age; they rise and fall with investment yields; and the accumulated pension fund depends on prevailing unit prices.

Many people are delaying buying an annuity because they expect rates to rise in the future. But they may be failing to take into account the real cost of the lost income. For example, a male of 65 with a pension fund of £100,000 can get £11,120 a year. If he decided to buy an annuity at 65, then, if the fund grew by 6 per cent and rates stayed the same, he would receive £12,050, an increase of £930. But he would have lost out on that year's income of £11,120.

Clearly, there is an opportunity cost in delaying the purchase of an annuity, and this is difficult to calculate. With annuities which are linked to investment funds, it does not matter if annuity rates are low because the starting income need not be calculated with reference to present gilt yields.

Falling annuity rates



ANNUITY RATES AS OF DECEMBER 7

| Compulsory purchase annuity | | | |
|-----------------------------|--------------------------|--------------------------|---------------|
| Male age 55 | Female age 50 | Male age 60 | Female age 65 |
| 1 RNPFN | £9,219.12 RNPFN | £10,229.16 RNPFN | £9,250.68 |
| 2 Equitable Life | £9,960.04 Sun Life | £9,887.04 NPI | £9,404.04 |
| 3 LAS | £9,773.80 Equitable Life | £9,708.12 Equitable Life | £9,708.36 |

| Compulsory purchase annuity | | | |
|-----------------------------|--------------------------|---------------------------|---------------|
| Male age 60 | Female age 60 | Male age 65 | Female age 65 |
| 1 RNPFN | £10,229.16 RNPFN | £11,758.96 RNPFN | £11,825.98 |
| 2 Equitable Life | £9,887.04 NPI | £12,843.96 NPI | £12,051.24 |
| 3 NPI | £9,708.12 Equitable Life | £12,821.00 Equitable Life | £12,051.24 |

| Compulsory purchase annuity | | | |
|-----------------------------|---------------------------|---------------------------|---------------|
| Male age 70 | Female age 70 | Male age 75 | Female age 75 |
| 1 RNPFN | £13,758.96 RNPFN | £15,130.12 RNPFN | £15,130.12 |
| 2 Equitable Life | £12,843.96 NPI | £14,130.12 NPI | £14,130.12 |
| 3 NPI | £12,821.00 Equitable Life | £14,130.12 Equitable Life | £14,130.12 |

| Joint Life - 100% spouse's benefit | | | |
|------------------------------------|--------------------------|---------------------------|---------------------------|
| Male 60/Female 57 | Male 65/Female 63 | Male 70/Female 68 | Male 75/Female 75 |
| 1 RNPFN | £9,130.12 RNPFN | £10,229.16 RNPFN | £11,758.96 RNPFN |
| 2 Sun Life | £9,130.12 Equitable Life | £10,229.16 Equitable Life | £11,758.96 Equitable Life |
| 3 NPI | £9,130.12 NPI | £10,229.16 NPI | £11,758.96 NPI |

All annuities quoted above have a purchase price of £100,000. Returns are monthly in advance. RNPFN annuities are exclusively available to those in the nursing and allied professions. Figures supplied by the Annuity Bureau Limited, Enterprise House, 59-61 Upper Ground, London SE1 3PQ. Telephone 071 523 4252.

The annual pension with a with-profits annuity is calculated by referring to the performance of the underlying with-profits fund. As bonuses are awarded only once each year, an anticipated bonus level is selected at the start. If, for example, an 8 per cent bonus (at present, the highest allowed) was selected, the starting income would be about the same as a guaranteed annuity - but would increase by 2 per cent if a 10 per cent bonus was declared. If the bonus was only 6 per cent, then the income would fall by 2 per cent.

There is a danger that with-profits annuities can fall if future bonuses are lower than expected. But as the starting annuity is calculated without reference to gilt yields, they

chosen, then the relevant number of units are cashed each time a payment is made. If the fund grows by 10 per cent a year, the pension fund will grow by 2 per cent (ignoring charges); but if the fund grew by only 6 per cent, then the fund would reduce in size.

The level of income can be reviewed each year and the investments switched between funds. Part or all of the fund can be converted into a conventional annuity at any time.

One very important aspect is that the managed annuity should continue to be paid to dependants after the holder dies. Unlike conventional annuities, spouse's pensions do not have to be bought at the outset. At present, this contract is offered only by Equitable Life, which calls it the managed annuity, but other companies are designing similar contracts.

Managed annuities are available only for personal or self-employed pensions. It might be possible to transfer the pension from a company-sponsored scheme to a personal plan, but professional advice must be sought.

In deciding which annuity is best for any given set of circumstances, there are three important considerations: ■ Value for money. Many people feel that guaranteed annuities give poor value for money and the other options provide better returns.

■ Peace of mind and security. This means different things to different people but some will prefer a guaranteed annuity, where the benefits are known in advance, to a pension that depends on the stock market.

Investment-linked pensions are not suitable for people who require a guaranteed income or do not want to take risks. ■ Flexibility. There is a tendency to view the need for retirement income as being static, but many people can look forward to receiving lump sums from insurance plans, inheritances or investments.

With managed annuities, pension income can be tailored to meet specific requirements. Now that there is more choice, it is important to take professional advice about your retirement options. You do not need to be a victim of low rates, but better returns come only with greater risk.

■ William Burrows is annuity director of London-based Annuity Direct.

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GARDENING

How impulse can cost you the earth

We all watch the retail price index for its ups and downs: I am a keen observer of the impulse index. This tells you what percentage you have to pay for buying on the spur of the moment and not shopping around.

In December, it outperforms the FT index. It is particularly fascinating to keen gardeners who are, usually, peasants at heart. The index tells them something about fellow gardeners who are not so keen on the dirty bits of their shared pastime.

To work out the index, you must price what you want at two or three different places on the road into central London. Begin with its origin, then its first significant urban outlet, and then its final resting place in the vibrant heart of today's capital where everybody is cutting each other's throat.

Those of us who go back to a product's origin are said in the trade to be "sourcing". My sourcing begins where the wolds first become evident in the Cotswolds. Away from the A40, white-flowered jasmine, 3ft high, is being sold by growers at prices between £5 and £7; large-flowered cyclamen, with eight to 10 flowers and as many young buds, cost £3; small cyclamen persicum cost £1.50, also in full flower and bud; mistletoe costs £1, and you could throw in a few universal pansies if you really wanted them.

Similar growers extend westwards through the former Vale of Evesham, and nobody would buy from them merely on impulse: you must have decided what you want from a plastic tunnel, even if you are then tempted to add something else.

To plot the impulse index, you then follow the items eastwards into London. I begin with the simplest example. Mistletoe is simply mistletoe, on a two-pronged branch without any scope for debate about British Standards or quality guarantees. Now, two of the capital's leading garden centres are the Clifton Nurseries in Little Venice and the Chelsea Gardener in Sydney Street. Unlike me, they have to pay their staff, buy only the best and pay business rates on top. Which brings me back to mistletoe. In the wolds,

it costs £1; in Oxford's garden centres, it sells for £1.40 upwards; but in the vibrant heart of London, at the Chelsea Gardener, it costs £5.

The index really jumps when it comes to jasmine. There are plenty of buds on my two jasmynes, 4ft high on their bamboo canes. I bought them last year for £5 apiece but I really should be touting them in London. White jasmine in Little Venice is selling at my size for £40 each, while in Sydney Street it costs £49.95.

Naturally, you would want me to plot the impulse index for Christmas trees, but they have become as hard to follow as the subtle variations between fresh, freshly squeezed, pure and real orange juice. Clifton Nurseries issues a

Robin Lane Fox finds astonishing price differences at garden centres

helpful guide to the options, reminding us - rightly - that the traditional Norway spruce is the first to drop its needles; that the Nordmann fir is a soft grey-green and less of a dropper; and that the thickly-branched blue spruce is the best at keeping its needles.

In Oxford garden centres, a 4ft-high blue spruce costs £12.35; in Sydney Street, it is £32.95. A fir, traditional Norway Dropper will cost you £7 in the wolds (the traditional pricing of £1 a foot still holds up farmers' driveways), £12 in Oxford, £21.50 at Clifton and £22.95 at the Chelsea Gardener.

I am not sure that sourcing accounts for any of the Oxford-London differential as all the shops have left previous labels on their blue Norway spruces. These state that the trees have all been sourced from the same place - the Yattendon Estate, which flogs them off in a coniferous bit of Berkshire.

Urban garden centres thrive on impulse and occupy extremely valuable sites, so who am I to wish them other than the best of luck? It must be fun putting the stickers on the big specimens which must set somebody's impulses racing: £152 for a standard holly at Clifton Nurseries;

£299 for a bay tree in Chelsea. The latter tempted me mightily with some camellias with immaculate leaves and upper shoots about 6ft high: they cost £94 each for people who cannot wait.

Londoners may be particularly impulsive, but the truth is that shoppers at garden centres anywhere will go over the top for a plant which looks upright and "fully grown". Why not trim the side stems of your shrubs and sell them off as standards at five times the price? In Oxford, an ordinary yellow-berried cotoneaster is costing £29.95 already in a standard shape. It might be worth running it up to the Kings Road in Chelsea on spec to see if you could palm it off on somebody for as much again.

Are my fellow gardeners nits? From a nurseryman, £5.50 would buy you my top Christmas present for anyone who is keen and green: the cream and grey-green rhannus, which will flourish on a south or west wall. It costs more in a garden centre, in Little Venice, it is £9.95, and in Chelsea it sets you back £14.95, with no variation in quality.

Certainly, the nits are impatient: if you look on plants as interior decor which go in a "room outside", perhaps it is not so nitty to go straight out and buy one which jumps the queue of two growing seasons and is needlessly big. I do, however, appreciate the nit traps.

If bigger is better from the buyer's point of view, why not apply the principle and the index to anything which grows? At Clifton Nurseries, you can buy a lump of Alchemilla mollis, the unstoppably vigorous Lady's Mantle, for £5.95 in an above-average pot. You can add the cypress spurge which used to be such an invasive menace for farmers in East Anglia until the grain barons sprayed it. For £5.25, you can buy enough of a piece to run wild through a shaded flowerbed and give you stupendous growth on your investment if only you can find a Londoner who is willing to go over the top for too much of it.

Christmas shopping is supposed to be bad for the nerves and even worse for the feet. Gardeners, I suggest, could enjoy a day's comparison from one shop to the next. We may be peasants underneath, but the impulse index livens up life even for country mice in towns.



All spruced up: the thickly-branched blue spruce is the best at keeping its needles

Timothy Humphries

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Steven J. Green and his wife Dorothy in their seaside residence. Mr. Green is the owner of Hem America at Fisher Island Gallery, and Mr. Green is Chairman of Sonosite Corporation, American Tourister, Calligro International and McGregor Fashion Group.



the grounds, Vanderbilt erected charming cottages and guest villas amid resplendent gardens and fountains. The mansion and surrounding structures have been restored to their former grandeur as The Fisher Island Club.

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HOW TO SPEND IT

Christmas is a lot closer than you think!

Only 14 shopping days left, don't panic! Lucia van der Post has some tips

Well, here we are, just 14 shopping days left to Christmas.

Time is running out and though I daresay some of you are already sitting back looking at all those neatly wrapped parcels, there are plenty of us whose lists still look dauntingly full. For those still wondering what to buy for whom, here are a few suggestions.

■ Personally, I think old-fashioned games are infinitely more fun than almost any new one you care to name and they make a splendid family present. So what about a set of packs of cards specially designed for Racing Demon? Beautifully packaged, four packs of cards, plus an instruction leaflet, cost £18.50 either direct from Elizabeth Designs, Mousehill Court, Milford, Godalming, Surrey GU8 5EA. (Tel: 0453-417-357) or from Aspreys of Bond Street, London W1 and the General Trading Company of 144, Sloane Street, London SW1.

■ For something off-beat what about a fossil? Cobra & Bellamy of 149 Sloane Street, London SW1 have brought a collec-

tion back from the Dominican Republic. They are about 35m years old and there is quite a choice. Ants seem almost two-a-penny at £60 a time. Also £60 are winged termites, flowers, petals, stamens. Mosquitoes, also mired in clear amber, are about £250 while the *piece de resistance* of the collection (for which a bid has already been made by the Natural History Museum) is a sitting-up scorpion at £6,000. A praying mantis is £5,000.

■ For bookworms, bookchecks are good stocking presents. Printed almost exactly like a check-book they are designed to keep a check on book borrowers - you write your own name on the major part, tear it out and give it to the borrower to use as a bookmark and reminder of the owner. You keep the stubs where the filled-in foil reminds you of who has borrowed which book. There are several different designs, each pack has 20 checks and costs £3.95 from Museum shops, good bookshops such as Waterstones and Dillons. To buy by mail write to: Bookchecks, Ithorpe House, Andover, Hampshire SP11 0BY. Telephone: 0264-76683.

■ For the keep-fit brigade who have not yet found a club that suits them what could be better than a subscription to a health or indoor tennis club? True, it is expensive, but it is the sort of present that lasts all year round. The Carlton Tennis Club, for instance, has three indoor courts and a fitness studio. Full membership costs £250 a year with a joining fee of £250. You get an introductory game free. The club is at Alfred Road, Westbourne Green, London W2 5EU. For membership details ring 071-286-1985.

■ Give her a beauty session - for £25 Joan Ashley, 33, Albert Bridge Road, London SW11 4PY (Telephone: 071-730-4239) will provide a complete facial treatment and she is happy to give appointments either in the evening or on Saturday morning for busy working women. Stephen Glass of Face Facts at 73 Wigmore Street, London W1 (Telephone: 071-486-8287) will give a complete make-up lesson with step-by-step tuition and advice for £50. He is not only expert, he is *terribly* nice.

■ Trivial Pursuits - the boardgame of the 1980s - is now available on video. For the sports fanatic there is a Sports

Editions with some 100 TV clips of memorable sporting moments and questions to match. The Family Edition homes in on questions of a more general nature covering news, entertainment and historical events. Both are £19.99 from games departments, video shops and departments.

■ Not everybody knows that The Design Museum at Butlers Wharf, London SE1 2YD (Telephone: 071-403-6933) has a shop of its own. Particularly interesting are the reconditioned vintage telephones ranging from Bell's Bakelite Belgian version to the 1970s Ericofon. Prices range from £23 to £115.

■ For the home, Colefax and Fowler of 110 Fulham Road, London SW3 6RL (Telephone: 071-344-7427) has a surprisingly reasonably priced range of attractive, modish accessories. A set of three circular tartan boxes is £18 (plus VAT), a blue and white flower brick is £29.95, a beautifully turned wooden Tazza is £48 (plus VAT), a silver metal oval basket (it would make a splendid cache-pot) is £35 and a charming sea-shell picture frame is £30 (plus VAT).

■ Orford and Swan is a small British company which concentrates on making a few products to exceptionally high standards. It makes silk scarves in pure silk jacquard crepe-de-chine or in luscious twill. Photographed left is the gloriously rich Medallion in black and dark red.

Then there are shoes such as those also in the photograph left which are made from the same richly patterned pure silk jacquard as the scarf. They are perfect for indoor evening wear, they look particularly good when teamed with black. There are also waistcoats, bow-ties and braces for chaps.

There are, of course, much grander, more established names in the world of must-have scarves but Swan

and Orford seems to be establishing a very English niche, all of its own.

The best selection of shoes and scarves can be seen at Space NK, Thomas Neale, 41 Earlham Street, London WC2E and at Fortnum & Mason, Piccadilly, London W1. The shoes are about £125 a pair and the scarves about £145 each. The cashmere silk shawls are a real luxury at about £325 and can be found at Harrods while Liberty of Regent Street and Sogo of Piccadilly sell the scarves and waistcoats (£252 each).

For a small full-colour brochure which shows the full range and for further stockists, telephone 071-433-3436.

L v d P



What to buy her with the bonus

If the bonuses have been good, spoil her with a soft crushed velvet evening coat by Romeo Gigli. The label is one almost any woman with any fashion nous will cherish and the coat itself will lend warmth and glamour to a life-time of evening outings. It comes long, short or swing-style, in anthracite, coffee, ginger, pearl grey or, most stunning of all, deep claret. It is capriciously cut so if she is small they may be rather overwhelming. £450 from Design Label, 3 Sloane St, London SW1. 071-823-2883.

■ Most men find women's lingerie departments daunting. This is a pity for many a splendid Christmas present is lurking in them. In particular there are glamorous evening tops which fall halfway between underwear and outerwear. Provided you know the beloved's bust size they are relatively easy to choose. The classy names to look for are Natori and La Perla. They are expensive but - as mother always said - you get what you pay for. The lace (when there is some) is of high quality and they are beautifully constructed so that they can be worn without feeling either that something dire is going to slip or that one looks like an escapee from a bordello. They look effortlessly, classically glamorous. The lace Natori top (£189 from the lingerie department of Harrods of Knightsbridge, London SW1), sketched here, is typical of the genre - it can be worn on its own, teamed with a skirt or trousers, or under a tuxedo or any other jacket.

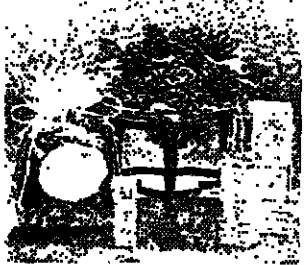
■ Another label that women like to snuggle into is Nicole Farhi. At Fenwick of 63, New Bond St, her roll-necked cotton cable-knit sweaters are, "simply walking out of the shop". They can be worn with leggings, crinkle-skirts, trousers. At £139 a fine choice from subergine, berry, black, navy or charcoal.

Smells for men with refined taste

If you are bewildered by the confusing array of men's scents on sale this Christmas, look no further than the superior smells made by the House of Creed, writes John Morgan of GQ.

One of the few remaining privately owned *parfumeurs*, Creed was once a British company but it moved to Paris on the suggestion of the Empress Eugenie and is still to be found in its beautiful premises in Paris's luxurious 8th arrondissement. Its scents are as distinguished as its list of clients which has included emperors, kings and others with fragrant aspirations of imperial proportions.

The best of the range is Green Irish Tweed - a wonderfully civilised and beguiling blend of floral, green and woody notes. The Chablis of the scent world, it enjoys a cult following among the men's style press. The range also includes Zeste Mandarin Pamplemousse, which, as its name suggests, is fresh and citrusy.



An array of scents

Orange spice, a classically masculine concoction of oranges, clove and cinnamon; the rich and woody Bois de Portugal; and the latest offering, Erolfa, a bracingly oceanic fragrance that combines the fashionable ozonic note with bergamot, sandalwood and ambergris. Some of the scents bear the millesime classification which denotes a higher concentration of essences than ordinary eau de toilettes, and therefore a more enduring and profound smell.

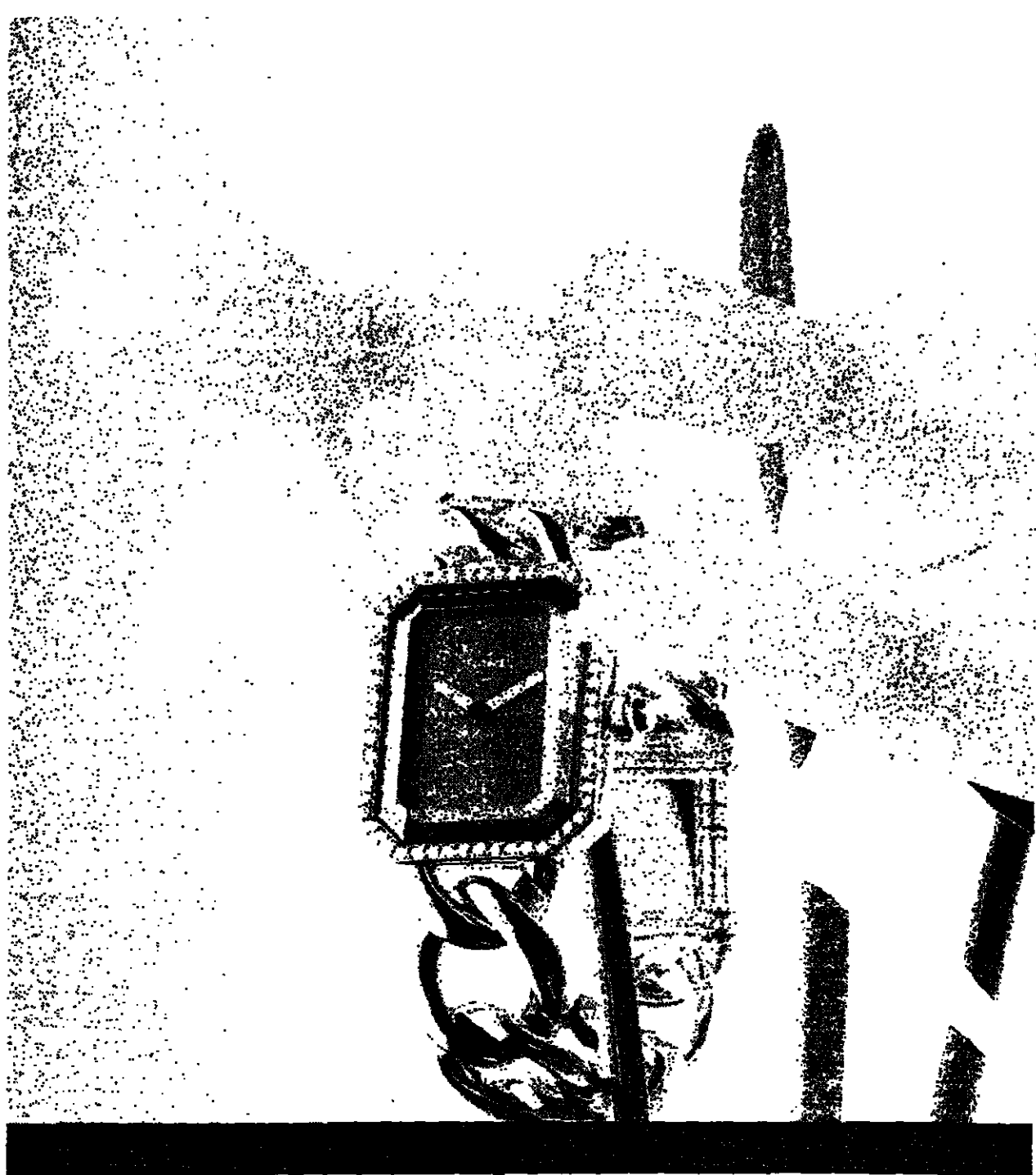
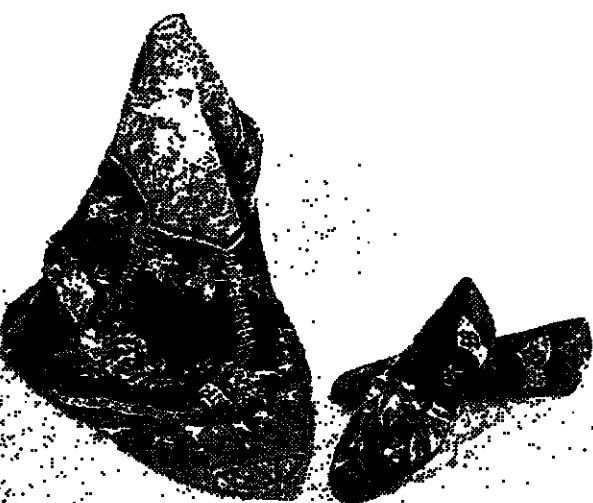
Prices start at £38.95 from Les Senteurs, 227 Ebury St, London SW1 (mail order 071-730-2322); Harrods Knightsbridge, London SW1; Liberty, Regent St, London W1; Selfridges, Oxford St, London W1; Harvey Nichols, Knightsbridge, London SW1; Froggett, Brighton and Tunbridge Wells. ■ Jo Malone is one of Lon-

don's best-kept secrets. For several years she has been tending some of the most high-profile skins in the UK and many have become addicted to her hand-made range of body lotions, bath oils and colognes.

She uses French limeblossom, nutmeg, ginger, muguet, lime with basil and verbenas of Provence to scent the potions and her packaging is impressively simple - elegantly plain glass flacons for the oils and

cologne and they come in beautiful ivory and black boxes tied with grosgrain ribbons.

A large box of pot-pourri smelling deliciously of wild orange and ginger is £27, a small box containing two flacons of bath oil and cologne is £29.95, a large box containing two decanters of bath oil and cologne is £59.95 (the prices do not include postage and packing). Orders can only be made by telephone: 071-598-5600.



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HOW TO SPEND IT

Sculptures, paintings and cartoons all make ideal gifts. Lucia van der Post looks at what is on offer

The delicate art of selecting creative presents

Of all the presents I have been given over the years I suppose the ones that have given the most lasting pleasure are the pictures and sculptures with which our house is over-supplied. Never mind that for years we were short of comfortable chairs, that serious grown-up furniture was thin on the ground or that we entirely lacked the sort of gadgetry that others cannot live without - our walls looked smashing and our shelves were full of interest.

Not that I am alone in my predilections. There are plenty more like me. We are the ones who would rather have a new drawing than a designer frock any day of the week.

The key to giving art as presents, though, is a certain acquaintance (or better still, a deep knowledge) of the loved-one's tastes. Not that this is easy - many people's tastes are confusingly eclectic.

Works of art that have meaning nearly always make wonderful presents - into this category, come drawings or sculptures of the beloved or the family as well as scenes from special places.

This Christmas you are almost spoiled for choice. Many of the galleries have had a hard time of it and special Christmas exhibitions give a fillip to end of year sales. Here, are a few suggestions.



■ Edinburgh seems to have one of the highest proportions of picture galleries of any city in Britain. Wandering down Dundas Street is a treat for anybody wanting to get their eye in. The Scottish Gallery at no 16 in particular is always filled with interesting contemporary work.

In less well-known William Street is Flying Colours Gallery, owned and run by Jane Houldsworth, which in the run-up to Christmas has a solo show by Ethel Walker as well as a sale of more than 100 framed works by about 30 different contemporary Scottish artists.

Prices range from £50 to £5,000 and there are

established artists such as John Cunningham, James Fullerton, I. Lesley Main as well as newer talent such as Shona Barr, Lorna Robertson and Selina Thorp.

The sale runs until December 23, there are oils, water-colours, pastels, landscapes, still lifes - the range is big but it is mostly representational with a few near-abstracts. The picture photographed here, "10 Umbrellas", a mixed media (acrylic/gouache) by James Fullerton, measures 8ins by 10ins and sells for £565.

Flying Colours Gallery is at 35 William Street, Edinburgh, EH3 7 LW. 031-225-6776.

■ Cartoonists are a specialist taste - either they appeal to you or they do not. The best collection I have seen recently is in Mark Birley's Bath & Racquets Club in London's Brook's Mews where he has accumulated a quite stunning group of Pont's drawings - beautifully drawn, often very funny, they wittily recall a vanished era and make quite an impact as they do so.

As Mark Birley got there first the rest of us will have to look elsewhere - possibly to H. M. Bateman, Punch's classic cartoonist. King's Court Galleries specialises in antique and reproduction prints and for this Christmas is offering a series of over a hundred hand-coloured Bateman lithographs.

Subjects range from golf, cricket and fishing to dentistry, the law and banking. Each framed print (proper presents really ought, in my view, to come ready-framed) costs £50.

Besides the Bateman cartoons, King's Court Galleries has a wonderful collection of antique maps and prints, lots of rare 18th and 19th century prints - most of them are original prints, usually hand-coloured, but there are also, for those with less to spend, some limited edition reproductions starting

from as little as £10 (unframed). The original branch is at 54 West Street, Dorking, Surrey (telephone: 0306-881757) but a later one has recently been opened at 951-953 Fulham Road, London SW6. (Telephone: 071-610-6939).



THE MAN WHO PAID OFF HIS OVERDRAFT

■ Agnew's, one of the grand, old established galleries which is used to dealing in very grand names ("The Holy Family with the Infant John the Baptist" by Rubens was in its summer exhibition) has decided to offer a selection of works for Christmas.

This used to be an Agnew's tradition but in the heady boom years, when nobody needed Christmas as an excuse to buy and price was no object, it was discontinued. Here it is, back again and very welcome, too.

Works will include watercolours by Philip Sutton, whose prices range from £850 to £1,500; lithographs by the late Dame Elisabeth Frink ("Owl" at £900, "Man and Horse" at £850); etchings and aquatints by Patrick Prokter; "Chauvres Souris" by Graham Sutherland for £1,000.

For those whose tastes are more traditional there are 18th and 19th century watercolours: "Portrait of a Lady" by George Richmond (£1,100), "The Market Place" by Thomas

■ All the readers who ply their way home via Waterloo might like to know about the Llewellyn Alexander gallery which is close to Waterloo and at the moment is holding a lively, varied and well-priced exhibition specially aimed at those looking for Christmas presents.

The theme of the exhibition is "Feast of Food in Art" and the styles vary enormously - there is Judy Joli and Linda Benton's naïf paintings. There is Edna Bizon's still-life which in its use of light and colour seems to refer back to the 17th century Dutch painters. Then there is Kristina Jardel's almost surrealistic disposition of the components of her still-life while Robert Chandler's formal, restrained "Still Life on a table" is almost abstract. Something, as you see, for everybody.

Prices range from £200 to £3,500 but the vast majority are under £1,000.

The picture photographed left - a still-life of fruit on a table and in a bowl is

sumptuously coloured with a rich dark background and beautifully framed - is "Harmony" by Kristina Jardel and it is £850. The Llewellyn Alexander gallery is at 124-126 The Cut, Waterloo, London SE1 8 LN. (Telephone: 071-620-1323).

While in the area it is worth noting that the Bankside Gallery at 48 Hopton Street, Blackfriars, London SE1 9JH (Telephone: 071-628-7521) has a special Christmas Show "Art Off The Walls" with works by members of the Royal Watercolour Society and the Royal Society of Painter-Printmakers - everything can be bought and taken away on the spot and prices start at £50.

For longer term planning (perhaps for next Christmas, a birthday or anniversary?) it is a good opportunity to take a good look at the work of all the artists on show - almost all of them will also take on commissions to paint a particular house, landscape or portrait.

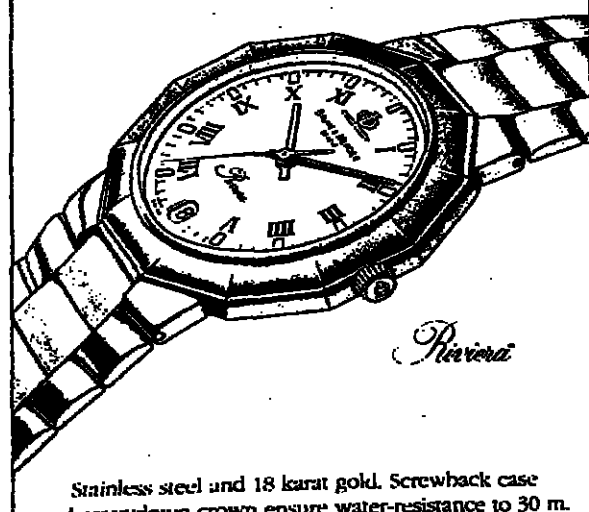


Rowlandson (£750) and "Rochester" by Alfred Vickers (£650). Pictured here is a print of Bernard Dunstan's watercolour of "The Gabrielle Quartet" at

Stourhead 1987" (£150). Everything in the Christmas exhibition is under £2,000. It is on at Agnew's, 43, Old Bond Street, London W1 from now until December 23.

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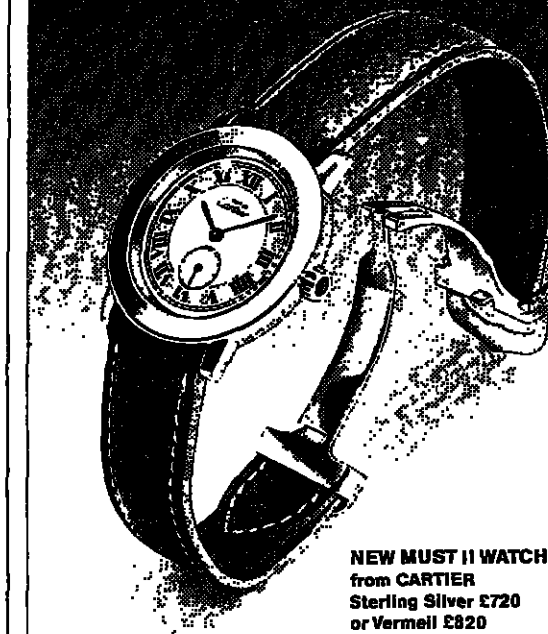
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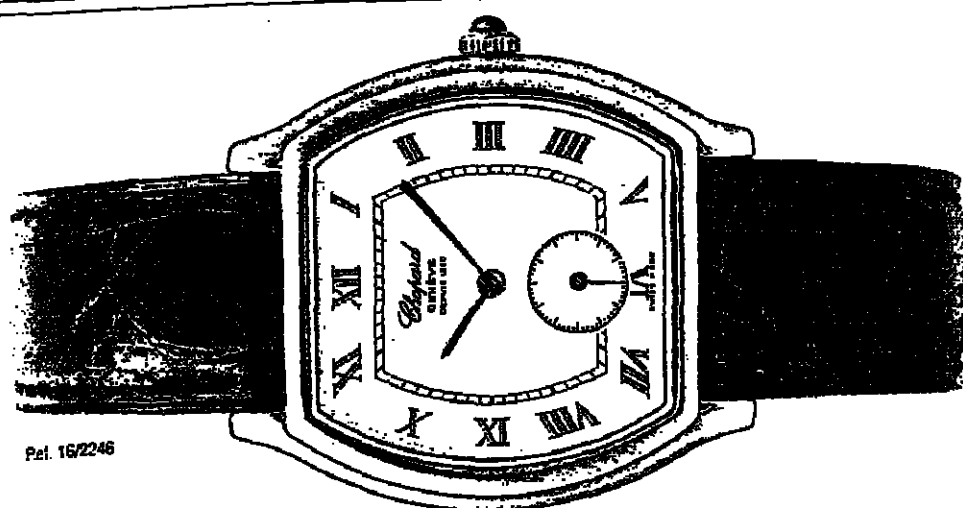
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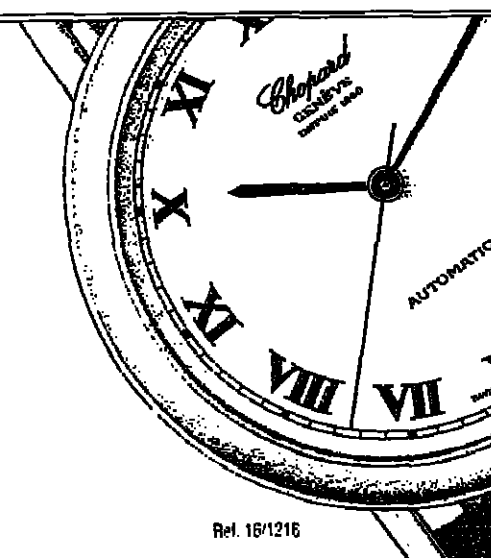
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TRAVEL

When an elephant comes calling...

Michael J. Woods goes on safari in remotest Tanzania

From outside the tent, a decisive hollow crunching sound, like a giant peppermint being crushed in a railway tunnel, woke me suddenly. I lay still, listening carefully.

The full moon had been up before I went to bed, and I had drifted off to sleep to the sound of a lion roaring across the river, a deep growling followed by a series of fading grunts. Now, though, it was dark. A slight rustle came to my ears in my mind, it was a snake slithering over the ground-sheet. Then there was another crunch, followed by the quietest of steps.

Moonlight streamed through the tent window as the elephant withdrew its dark bulk, its questing trunk seeking the next crunching, contorted, apricot-coloured acacia pod. The huge animal was right next to the tent, and I held my breath as the bed creaked when I raised myself for a better look.

It padded very softly round to the front, sniffed enquiringly at my toothpaste, and stroled away to join the rest of its family further up the Great Ruaha river. I reached for my notebook. After all, it isn't every day a wild elephant comes close enough for you to touch.

The incident occurred in Ruaha although my safari to southern Tan-

zania began in the Selous - the largest game reserve in Africa, covering an area almost the size of Ireland - where I stayed in Mbuyu camp on the banks of the Rufiji river.

Mbuyu means baobab in Kiswahili and, beneath the vast bulk of the great tree from which the camp takes its name, we drank tea and surveyed the sandbanks and pools of a waterway much diminished by the dry season.

Here were beautiful birds: pied kingfishers hovering like terns; giant kingfishers, grey and gold; herons stalking through the water; yellow-billed storks using their wings to shade the glare from the surface as they fished; black-winged stilts and brown hammerheads.

Just as impressive as the baobab-shaded tea terrace was an elevated hide at the other end of camp where we sat one evening drinking cold beer as the sun set and a roost of bats exploded, like a Roman candle, from the hollow stem of a headless palm. Wave after wave of black specks soared upwards and disappeared in every direction.

We took walks from here and cruised up the palm-lined river in an aluminium boat. The water was crowded with pods of bad-tempered hippos and yellow-green crocodiles, the latter all about 8 ft long, sliding

from their sandbanks as we approached. On our way home, though, one did not shift. He was black and barrel-chested, a full 15 ft long. He lay with his great mouth agape, filthy teeth lit by the falling sun. Even when our boat nudged the sandbank on which he lay, he showed not a flicker of acknowledgement.

From the Selous, we travelled over the Uzungwa mountains through Mikumi national park to Ruaha. Most visitors to Tanzania concentrate on the north, on the Serengeti, the Ngorongoro crater and Manyara national park. Few go south to Selous and even fewer to Ruaha; so few that, in the first nine months of 1993, this national park received fewer than 1,000 visitors from outside Tanzania.

Yet it is almost as big as the Serengeti and an extremely varied and beautiful place. There are mountains, sand rivers, open plains of golden grass and thick bush. The Great Ruaha river is rocky and has falls and rapids after the rains.

Our camp was a private one organised in the relaxed, yet stylish, way so typical of Gibb's Farm Safaris. On a hidden site beside the river, the tents, which have en suite facilities and comfortable beds, were shaded by several grey-green, woolly-headed old tamarinds, and



A lion with a buffalo kill in Tanzania's beautiful but little-visited Ruaha national park

by acacias which leaned solicitously over them and dropped their pods to tempt visiting elephants.

From the dining tent, with its evening fire and view down the rocky river, safari leader Nigel Perks, as sharp-eyed as ever, pointed out a nervous bushbuck slipping down to the river to drink at sunset.

The lions in the bush across the water were noisy but never showed themselves. We saw lions elsewhere, though. One pride was guarding a buffalo carcass against vultures, taking it in turns to leave the shade of the bush where they were resting and the panting beside the body in the hot sun.

With the general (temporary?) cessation of poaching, the elephants here are relaxed and breeding well. Small family groups down near the water were breaking up fallen palm fronds or plucking clumps of grass.

I had come to southern Tanzania expecting to be overwhelmed by the richness of the Selous. Instead, it was Ruaha which cast its spell. Michael Woods visited southern

Tanzania with Art of Travel (London tel: 071-738 2038), which puts together tailor-made safaris to the Selous, Mikumi and Ruaha run by Gibb's Farm Safaris. A 10-day safari, including flights, costs from £2,500. Only a few UK operators go to this area: they include Safari Consultants (0787-228 494) and Abercrombie & Kent (071-738 9900).

We were on the lam in south-west Ireland and we were loving every minute of it. Me and my friend Jock knew we would be caught by fading daylight eventually. The question was whether we could delay the moment long enough to eke out a few more holes of golf.

Our intention was to play as many as we could before dinner. It had been a sudden idea, as the best ones often are, cooked up in a moment in late afternoon. No sooner had we thought of it than we had jumped into my car and set off, wheels spinning. For Tralee golf club 30 miles away. There were few barriers to our sudden, splendid idea. At that time of night, there were would not be many others around to hold us up.

I knew Tralee, the first course designed in Europe by Arnold Palmer, from several earlier visits. Jock, on the other hand, had never been there. He was anxious to see as many of its outstanding holes as he could: the long 2nd, the demanding 3rd, the glorious 8th which lies so well along the sweep of the bay, the short 18th across the pit, the devilish 15th.

For the 16th - which, from the back tee, I believe to be one of the most difficult and heroic short holes in the world - might be too far, but we would move as quickly as we could and hope to get them all in.

We began at a gallop and, after taking a deep breath, walked all the way to the back tee of the 3rd, high above the sea. To James Joyce writing in *Ulysses*. It had been "the snotgreen sea, the scrotum-tightening sea." Now, however, it seemed so soft below us, benign and silvery. The green, built on rocks, jutted out in the distance. Beneath it was the cave used in *Ryan's Daughter*. Behind us, deserted and inviting, was the wide, long beach used in the same film.

My first ball pinged off the rocks; another soared away to the left. It was 220 yards just to reach the green from this tee. What on earth

made me think I could hit the ball that far with an iron, even on a still night such as this?

As the daylight began to fade I caught a glimpse of Jock. His face, burnished by the wind and sun, had a look of sublime contentment. We were at one with our surroundings and, just as important, with our own golf.

The setting sun spurred us to play still faster. The ebbing tide moved slowly down the estuary leaving thickening fingers of mud behind. It looked tired. We certainly were. It had, after all, been a long day, one that had begun 14 hours earlier. We had not eaten

since lunch and had hardly eaten then. I had forgotten how hungry I was until we dashed from the 8th green to the 9th tee to play our last hole.

In the gathering gloom, we each whacked a drive towards the beckoning light of the clubhouse. Then we half-walked, half-ran until we found the hole. We whacked them again and again. By now, it was so dark we could not make out the flag on the green. Somehow we halved the hole, five whacks and several putts each.

In the clubhouse, the hands of the clock stood at 9.55. The only place still serving dinner was the

Oyster Bar in Spa, six miles towards Tralee. The barman telephoned for us. "They will hold a table for you but you must get there by 10.30," he said.

Dinner was as much a surprise as anything that had happened to us all evening: delicious soda bread and fresh salmon, perhaps caught a mile or so from where we were sitting.

Afterwards, there was a tap on my right elbow. I looked up to see a stout lady with a friendly face. Soon, we were deep in conversation. She sat at a long table with what looked to be six or seven relatives. At the head was a small boy

in a blazer, no more than 12. "My father died a year ago today," explained the lady. "We had a mass this afternoon and now we're celebrating. He had a good life. He was 90 when he died. In his later years, he often said to me: 'If you look after me well when I am still alive, then you can dance on my grave when I'm gone'."

At midnight, the singing ended and the restaurant emptied quickly. We drove home slowly in the velvet-soft darkness.

Jock looked out of the window. I concentrated on driving. My feet had stopped aching and I felt the intense pleasure of a man who had exercised well. It had been a rare old day, one that lingers in the mind for years.

John Hopkins

Golfers with the urge to drive by night

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FOOD AND WINE

Tasty tidings of confits and joy

In Britain, one roast duck and four diners may cause the carver to panic. In *foie gras* country, almost every part of a duck is eaten. The fattened liver is, of course, the prize but the rest of the bird is used as the basis of many satisfying meals. The fat is rendered to become a cooking medium as fundamental to Gascony as butter is to Normandy and olive oil to Provence. Legs, wings and giblets go to make confits. The neck skin is stuffed. Trimmings may be baked, shredded and potted as rillettes. The carcass, with scraps clinging to it, may be roasted or grilled for irresistible snacks. As for magret of duck - the huge and tender meaty breast - this, too, can be made into confits, although that generally is considered a pity. Better to relish it fresh, fried or grilled like a juicy steak.

Confits are a uniquely south-western French way of preserving meat, which elsewhere is salted, smoked or dried. But this region devised the far simpler idea of slow-cooking meat, submerged in its rendered fat, until its tenderness allows a straw to pierce it. For storage, it is then sealed under a layer of fat. The very best confits, they say, are cooked over an open fire so the meat absorbs the wood smoke.

Few things are more reassuring to anyone keen on comfort food than a store cupboard filled with

jars or tins of duck or goose confit. Because it is so versatile, it is the ultimate convenience food. Just take the preserved joints out of the jar or tin, let most of the fat run from them and dry-try for five-10 minutes on each side. For frazzled skin, slip the pieces of meat into a hot oven on a baking tray for about 15 minutes, skin side down at first, then skin side up.

Confit made with neck, heart and gizzards is fashionable served warm *en salade*. Meaty joints are more likely to be served with hot vegetables. The spiciest choice is probably *pommes sautées* (with truffles). A circle of potatoes fried with a sprig of rosemary is also good; so, too, is a sprinkling of finely-chopped garlic and parsley with a few capers or a pool of lentils, or braised red cabbage with roast chestnuts and pickled prunes.

Jeanne Strang's glorious guide to life and food in south-west France, *Goose Fat and Garlic*, describes the preserving processes in vivid detail. And it was Strang who started the ball rolling for me when I packed up my apron and went in search of the mini-holiday breaks known popularly in Perigord, Gers and the

Landes as Weekends *Foie Gras* (although, in fact, they cover far more than *foie gras*). The choices available are many and varied but all aim to combine relaxation, good eating and learning. Below are details of just four that might be of special interest to FT readers. Unless indicated otherwise, they run from Friday afternoon to Sunday after lunch.

In the second of two articles, Philippa Davenport details weekend breaks in France where the finer points of foie gras are featured

Duck is the bird on which you will be working and some knowledge of French is highly desirable when attending courses with Mesdames Sarraun and Gracia (essential when telephoning them). To ensure personal attention, the numbers accepted on each course rarely exceed eight. Prices are based on sharing a double room with private bathroom and include the cost of all meals and tuition along with one duck, which you take home as preserves; you are charged for extra ducks which, if required, should be

ordered when placing your booking. Except in the case of Gourmet Espionage, you must pay for your own travel: I travelled fly-drive Gatwick to Bordeaux.

■ **Pierrette Sarraun, Auberge du Bergeroyre, St Martin d'Aragnac, 32110 Nogaro. Tel. 6209 0872; fax 6209 0974.**

Sarraun is the doyenne of this business: small, wiry, passionate, highly

classes pay full pension prices only: Fr660-680 for the two days. Extra ducks are charged at Fr350 each. ■ **Marie-Claude Gracia, Auberge à la Belle Caserne, Poudenas, 47170 Mézin. Tel. 5365 7155; fax 5365 8732.** This is a chic establishment: the hotel of which Gracia is both chef and owner has a Michelin star. The converted mill house has just seven bedrooms and is sited dramatically

application. ■ **Denise Garnier, Falgaudras, Auzou, 47140 Pénne d'Agenais. Tel. 5341 3403; fax 5341 4764.** New Zealand-born Garnier and her French husband have been farming and preserving ducks for 11 years and, in addition to the usual range of *foie gras*, confits and pâtés, they produce exquisite cured duck breasts, *jambons de magrets séchés*. The programme here is the only one I found where the livers of the freshly-killed ducks are dealt with, while still warm, before the confits; apparently, the resulting *foie gras* is much more satisfactory.

The Garniers do not run a *ferme-auberge* and have just one studio cottage available for a visiting couple; other course participants are accommodated at L'Air du Temps, a small restaurant with rooms in the nearby medieval village of Pénne d'Agenais. It is here that lunch and dinner will be served to everyone throughout the weekend.

Prices: Fr1,700 a head for the weekend. In addition to the preserves made from one duck, guests will take away a pair of *jambons de magrets séchés*. Extra ducks are charged at Fr300 each and there is

a limit of three for each participant. Dates: Provisionally, these are January 7-9, 14-16, 21-23, 28-30, and February 4-6. Some dates in March and early April may also be possible.

■ **Gourmet Espionage** is the brain-child of Caroline Yuill of Oak Cottage, Tharndon, near Eps, Suffolk IP23 7JJ. Tel/fax: 0379-71 234. Yuill specialises in personalised package deals, tailoring itineraries according to the wishes of groups of eight or more (eight is her minimum number). She makes all the arrangements and generally acts as guide and translator throughout.

Her trips to France are designed for a minimum of four days but she prefers seven so that the pace can be that of a relaxed holiday. A *foie gras* week, she suggests, ought to include hands-on experience at making *foie gras* and confits in the farmhouse kitchen of a small duck producer she knows, and learning to cook dishes using both confits and fresh duck. The party might also like to visit a local wine producer, an artisan cheesemaker and go to markets.

The accommodation she suggests is a small, family-run hotel near Orthez, halfway between Pau and Dax. She particularly recommends spring and Easter for visiting this area. Her prices begin at £297 (inclusive of everything, including travel) a person for seven days.

What the wise buyer will want on board

Jancis Robinson finds plenty of seasonal bargains in the first part of her high street wine choice

Fine wine-making techniques have been filtering down, yea even unto the under-£3-a-bottle bracket. Indeed, the following British off-licence chains and supermarkets have all but given up on expensive wine, leaving that elite area to the independents.

This year's worthwhile fashions include cheap Portuguese reds, Argentinian perfumed white Torrontes - and Riesling, in dry form, has finally been allowed out of the closet.

The more expensive wine, the more limited its distribution (LD). Star ratings denote corporate commitment to wine quality.

ASDA***

This year's prize for the most improved wine selection. The Leeds-based supermarket group now has a range of well-chosen, often unusual bottles.

■ **WHITES** Hungarian Chardonnay 1992 £2.99. The dark, heavy bottle says 112 burgundy. The wine says fiery Hungarian white rather than restrained Chardonnay. The combination is rated a Minisegi bor (quality wine) and is well worth trying at the price.

Chilean Sauvignon Blanc 1991 £2.29. If the well-designed label is correct, this wine is heading for its third birthday and yet still has attractive, lemony zest.

Mount Barker Chardonnay 1992 £4.99. Goudrey, full, pungent, big Western Australian but with good balance. Very keen price.

■ **REDS** Rowan Brook Cabernet Malbec 1992 £3.29. Good-value Chilean, not too heavy or syrupy. The Chilean Cabernet Merlot at £3.49 is in the same mould.

Pinot Noir Vin de Pays de l'Aude 1992 £3.75. Great price for Languedoc's oak-aged answer to red burgundy.

Barbera d'Asti 1990 Gemma £4.49. Lively, full, accessible example of Piedmont's dominant grape.

Ribera del Duero 1987 Soro de Nava £5.69. Intense, deep coloured, oaky, quite chewy but dramatically powerful essence from Spain's most fashionable red wine region.

■ **SPARKLING** Sharffenberger Brut £3.99. A Californian that is not trying to be champagne but which can offer more complexity and maturity than any champagne selling at the same price.

AUGUSTUS BARNETT**

Poor old A Barnett has finally been swallowed up by Allied-Lyons and will doubtless be "integrated" with Victoria Wine in the New Year. Graphs could do with a new broom.

■ **WHITES** Chassan, Vin de Pays d'Oc 1992 Domaine le Ploeg £3.79. Amazing how popular this relatively recent crossing of Chardonnay with the sherry grape (Listan) has become. It would not have happened had they decided to call it Listanay. Light, spritzy Chardonnay imprint on a decent wine from the Languedoc.

Chardonnay, Vin de Pays d'Oc 1992 Domaine de la Tuilerie £3.99. Definitely worth the extra 20p, if only for the label, but also for the ubiquitous but well-made Rymann Chardonnay made outside Carcassonne. Heady aroma, slightly short.

■ **REDS** Ch Ormieres 1991 Minervois £3.99. Very appetising second wine from the widely-admired Ch Fabas. The same sort of build as red burgundy, and ready to drink.

Ch Lascombes £13.99-£24.99. Until recently this Margaux second growth was under the same ownership as AB and the company can therefore offer an array of vintages, 1983-1990, at fair prices. The 1985 at £24.99 is

a dream to drink now, the 1986 at £18.49 is closing up.

■ **PORTWINE** Warre's Quinta de Cavadinha 1992 £13.49. Extremely fine alternative to vintage port and ready to charm.

■ **COGNAC** Byss Matusalem £18.45 (at Oddbins and Safeway too). A great, proper, sweet sherry that is one of the very few wines which could be served with both cheese and Christmas pudding.

DAVISON'S and FULLERS

London and environs only but well worth seeking out.

GATEWAY**

Some very silly prices until January 4 and some imaginative selections. Good Spanish range.

■ **WHITES** Castillo Imperial 1992. Alanis £1.79. Cleverly blended dry white from Galicia in north west Spain. Clean, lively, Atlantic seaboard wine. Low key label. Could be anyone's house white over Christmas.

Chablis Premier Cru 1991 £4.99. If you must spend an extra £3.20 for a recognisably smart name and obviously burgundian bottle, then you won't find better value than this, although the wine is not that much more interesting, per se, than the Galician above.

■ **REDS** Bulgarian Cabernet Sauvignon £1.99. Melnik, Russe and Svichtov wineries' offerings reduced from £2.85. Too many matchsticks for me, but never mind the quality.

Ch La Vendée... 1992 Margaux £4.49. It comes to something when Ch Dufort-Vivens, the estate ranked only four places short of a first growth in 1855, is flogging its second wine at this sort of price. This wine, described with some licence on the back label as from "the gravelly hills north of Bordeaux", is usually £5.49 and is certainly ready to drink.

MAJESTIC**

Wines for bargain hunters rather than technopurists here. Parcels and job lots a speciality. Minimum 12 bottles.

■ **WHITES** Bergerac Sec 1992 Domaine de Jolie Coeur £3.49. Respectable dry white with good fruit and a hint of apples.

Pinot Blanc 1992 Ch Oberlin £4.99. Soft but lively Alsace from the city of Colmar's own domaine. Good value.

Trittenheimer Altärchen Riesling Kabinett 1990 Grans Fassian £5.99. A sensational palate-sharper from one of the top middle Mosel producers. Just 8 per cent alcohol, party, zip, delicacy and perhaps a whiff of elderflowers in a bottle. Reserves parts no champagne ever can.

Vouvray 1989 Marc Brédif £7.99. Textbook stuff with honey, flowers, and not so much acid that it cannot be drunk now with a wide range of foods, but this medium dry wine will continue to develop for decades.

■ **REDS** Lightning Ridge Shiraz £3.49. A



special export blend from Australia although it is much lighter, juicier, more peppery, and more southern French than the average Oz red.

Pinot Noir 1991 Fleur de Carneros £6.99. They are getting the hang of Pinot Noir in California. This is a second label from Carneros Creek and is of the fruit rather than earth school. It won't get any better but is just the style of scented red to serve with turkey.

■ **SPARKLING** Crémant de la Loire NV Langlois-Chateau £5.99. Reduced from £7.49 and a well-made wine from Bollinger's outpost in the Loire.

Ruinart champagnes. Ruinart has long been an insider's favourite and majestic offers non-vintage R de Ruinart at £15.99 or, for those who reverse age and stature in a champagne, Dom Ruinart Blanc de Blancs 1983 at £32.50. There is a further 15 per cent discount on unsold cases of these and several other champagnes. The Dom Ruinart would tempt me if I were organising a seriously smart party.

MARKS and SPENCER

The Marks shelves carry a sort of civil service selection of wine, leavened by the odd daring addition. Solid rather than inspiring.

■ **WHITES** Chardonnay 1992 Domaine Mandeville £3.99. Another Vin de Pays d'Oc from a relatively cool corner of the Languedoc in the Minervois hills. More Chablis than Australian.

Chardonnay-Semillon 1992 Rothbury Estate £4.99. Well crafted New South Wales blend of nearly 80 per cent Chardonnay with a high proportion of Cova's glossy, golden fruit.

■ **REDS** Domaine St Pierre 1992 £2.99. Special offer for December on this ripe blend of Merlot and Syrah from Domaines Virginie in the Languedoc.

Domaine la Côte aux Loups 1992 Bourgogne £3.99. Attractively soft, juicy, light red bur-

gundy from the far north of the region near Chablis.

Margaux 1989 £5.99. Scented, plump claret ready to drink now.

■ **SPARKLING** Saumur Brut 1990 Bouvet Ladbay £6.99. Lovely wine-making, delicate mousse. Refreshing, lighter than champagne.

Veuve de Média NV Premier Cru £12.99. Some real age and development on this wine, from the co-operative Union Champagne (a high proportion of all the cheap champagne currently available comes from the co-ops). A champagne that could be drunk with food.

Caroline at £6.99, a vigorously racy Riesling from the Harth vineyard at £7.99, and an exceptionally long Gewürztraminer that smells appetisingly of bacon fat at £8.99. Even more thrilling (and richer) are Bernard Schoff's Grand Cru wines available soon from the two fine wine stores.

Shaw & Smith Sauvignon Blanc 1993 £7.49. Both powerful and delicate. Political smiles spring to mind.

Krondorf Show Reserve Chardonnay 1992 £7.99. Another elegant, lively Australian white.

Monbazillac 1990 Ch B. Boderie £9.99. Seriously fine baroque-aged sweet wine; better than many a Sauternes. Should keep for five or more years.

Vouvray Moelleux 1990 Tris de Grains Nobles £10.99. Another stunning effort from Domaine des Ambulistes. Drink now in its full and lovely youth, or keep in a cool, safe place for five or more years.

■ **REDS** Minervois 1992 Domaine d'Arbens £3.49. Full, round, exciting medium weight red in the soft, fruity mould of a good Loire red. Useful.

Palacio de la Vega 1991 £4.99. Cabernet Sauvignon with 30 per cent Tempranillo, one of the many interesting blends to be coming out of Navarre. Lively with lots of oak.

McWilliams Cabernet Sauvignon 1991 £4.99. Well tamed mouthful of Australian red. Coldstream Hill Pinot Noir 1992 £7.99. Just the thing for the turkey; ready, and extremely easy, to drink.

St Langi Chirran Shiraz 1991 £7.99. Full, round, correct, still wearing its interesting pedigree. Leeuwin Estate Redgum Ridge Cabernet 1990 £7.99. Unusually dry and chewy for an Australian red, from one of Western Australia's most famous estates. Another £2 secures the exciting 1989 grand vin.

Ridge Geyserwine Zinfandel 1991 £11.99. A truly fine wine with a brambly punch and a long aftertaste. To drink or keep. Ridge's Santa Cruz

Cabernet Sauvignon 1991 at £13.99 is also stunning.

■ **FIZZ AND PORTWINE** A range of special offers.

■ **SAFWAY**** In many ways the antithesis of Marks and Spencer, Safeway's wine department seems to be fuelled by pure instinct. Thus, Safeway is most useful as a wine supplier to those who share its enthusiasm: modern Iberians and cheap eastern Europeans, together with English and organic wines.

Out of 80 or so of their wines tasted recently, there were a number that struck this palate as too quirky. But those listed below are of genuine interest.

■ **WHITES** Domaine de Malardeau 1992 Cotes de Duras £3.49 (LD). One of several Hugh Ryan Sauvignons on the market made in this useful region on the fringes of Bordeaux. The explosion of fruit seduces the palate as the label does the eye.

Australian Chardonnay 1993 £3.99. Well-integrated lively fruit from Riverina. Full bodied yet not sickly, proving irrigation can be a good thing.

Falcoaria 1992. Almeritz £4.29 (LD). A Portuguese answer to Alsace. Exciting, lively, aromatic white with a dry finish, made by peripatetic winemaker Joao Ramos.

Vinas del Vero Chardonnay 1991, Somontano £5.29 (LD). Textbook barrel fermented Chardonnay with all the delicacy on the palate that entails - but Spanish? A nail in the coffin of blind tasting as a rational activity. Vinas del Vero, in the far north of Navarre, also produces a creditable, if rather light, Pinot Noir 1993, listed by Safeway at £6.49.

Penzolds Organic Chardonnay/Sauvignon 1993 £5.99. A super-concentrated yet quintessentially crisp offering from biodynamically sound fruit grown in the cool (ish) Clare Valley of South Australia.

■ **REDS** Alentejo 1992 £2.99. Juicy blackberries fashioned into an

aperitif, almost white wine, style at the Redondo co-op in southern Portugal. Good value.

Young Vatted Tempranillo 1992 Le Mancha £3.19. All winery, no taste of the vineyard, but a juicy, good value red. An interesting comparison with the very similar central Spanish red below.

Casa de la Vina, Cencibel 1992 £3.29. The Rioja grape Tempranillo is fashioned into a lively red with a chewy finish carrying the lower rent denomination Valdepeñas.

Las Alburas, Mendoza £3.49 (LD), also from Victoria Wine. An exciting Argentine red, better by Jacques Lurton from Bonaria, the Italian grape variety that has become Argentina's most planted red grape variety since so much Malbec has been ripped out. It tastes as though juicy lurks under a layer of appetising dust.

Quinta do Vale da Raposa 1992 Douro £4.49 (LD). A remarkably soft, flattering red considering its provenance, the harsh Douro valley which is better known for port. More evidence for the case against antioxidant fortification.

Quinta do Pinheiro 1990, Alentejo £5.75 (LD). A superior bottling with the powerful kick of new oak rather than any particular patch of western Portuguese soil, but an eye opener by any standards.

Penzolds Cabernet Sauvignon 1991, Coonawarra £7.99. Well-balanced, full flavoured Australian answer to claret. A gold medalist in this year's International Challenge organised by Wine magazine. Available elsewhere.

■ **SWEET WHITES** Domaine Brial 1992 Muscat de Rivesaltes £3.49 a half (LD). Pleasant, smart, peppy, light golden Muscat in the old Beaumes-de-Venise mould.

Ch de Barbec 1989 £3.99 (LD). Peachy smooth, Semillon made sweet just across the river from Sauternes. Great value. Not subtle.

NEXT WEEK: Saturday, Thorough Bottoms on Wine Rack and Victoria Wine.



FOOD AND DRINK

Sicily and its seasons

J D F Jones enjoys the delights of a soft-centred book

"The aspect of those monumental dishes of macaroni was worthy of the quivers of admiration they evoked. The burnished gold of the crusts, the fragrance of sugar and cinnamon they exuded, were but preludes to the delights released from the interior when the knife broke the crust: first came a spice-laden haze, then chicken livers, hard-boiled eggs, sliced ham, chicken and truffles in masses of piping hot, glistening macaroni, to which the meat juice gave an exquisite hue of sauté... (they) ate without thinking of anything, and without realising that the food seemed so delicious because sensuality was circulating in the house..."

That comes from Lam-pedusa in one of our century's greatest novels, *The Leopard*. If you have ever been curious about the mysteries and delights of Sicilian cuisine, Anna Tasca Lanza's deliciously-illustrated, soft-centred book, *The Heart of Sicily* (Casell, £18.99, 255 pages), will enchant you.

She is mistress of the Regalelli estate and the story is an unabashed promotion of its commercial wine operation (she also runs a cookery school there). But the book is about food, not wine, laced with recipes of traditional Sicilian dishes, and takes the form of a seasonal sequence, starting with *Pasta con le Sarde* in

springtime when the wild fennel is fresh and moving through to the winter season of olives and citrus.

Sicily is of course one of the cradles of our civilisation - we are shown how Regalelli's head shepherd makes cheese every day in a manner that has scarcely changed since the ancient Greeks. Its cuisine and culture have been successively influenced by Greeks and Romans, Arabs and Normans, French and Spaniards. But the Mediterranean tradition was invaded by the French via the Kingdom of the Two Sicilies in the 19th century, which brought in the "monza" (ie monsieur), a head chef with a knowledge of consommés, foie gras, cream and butter.

The book, full of family and landscape, is evidently directed at an American readership, but that need not matter. Read here of *Estrato di Pomodoro* (how the estate kitchen annually reduces 4000 lbs of tomatoes to 240 lbs of extract); of wondrous, oil-drenched versions of *melanzane* (eggplant); of dishes of wild rabbit; of fried courgette flowers ("Mario takes the flowers for *Fiore di Zucca Fritta* to serve with drinks before dinner or to include in a *Fritto Misto*. He fills the flower with as much diced *mazzarella* as it can hold and a small piece of anchovy and folds it over. Then he dredges it in flour, dips it in egg wash, coats it with breadcrumbs, and fries it...") It's all ecstatic stuff.



Sweet peppers from Anna Lanza's "The Heart of Sicily"

Variable vintage in Burgundy

Although the production of fine burgundies is a fraction of Bordeaux's output, the quality of the former is much harder to assess when first available for public tasting: in the cellars of the Hospices de Beaune before the auction of its new wines on the third Sunday of November. Bordeaux, better organised, wait for its Union des Grands Crus around April 1.

This year, the Hospices' 38 cuvées, mostly from the Côte de Beaune, were particularly hard to taste as, in order to avoid the risk of a secondary fermentation, highly unlikely, anyway, especially in this year's very cold weather the wines all were injected with sulphides just before the weekend of the auction. The result was a lack of colour and a hard, acid taste that obscured fruit and body.

This could have contributed to a 24 per cent fall in prices for the reds and 5.4 per cent for the whites, a drop for the fourth year in succession following the mostly excessive rises from 1985 to 1989. During those years, prices that, for charity and publicity reasons, traditionally are about double those in the outside market, rose by three or four times.

This year, in a stagnant market for the Côte d'Or Grand and Premiers Crus wines, merchants were less prepared to buy. The classic red Beaune, Nicolas Rolin, that had made more than FF45,000 a cask (300 bottles) in 1989 was knocked down this time for FF12,000, while the Meursault Philippe le Bon fell from FF81,000 to FF30,000. And

although 759 casks were offered - 96 more than last year and the highest total for 30 years - the proceeds of FF10.617m were more than FF1m less than 12 months earlier.

The most interesting aspect was the substantial acquisition by merchant firms which deal with French supermarkets. Unlike buyers for top-level clarets, these firms had not been much involved with leading burgundies.

As in Bordeaux, a potentially very fine vintage was diluted by rain. There had been an early but variable flowering at the beginning of June, followed by stormy weather in June and July, but August was exceptionally hot and sunny.

Picking began in the Côte de Beaune on September 15 and was mostly completed by the 21st. Then came heavy rain on the 22nd and later, just when much of the Côte de Nuits was picking.

The percolation of the Burgundy vineyards means that it is sometimes hard to summarise the year's vintage. In the Côte de Beaune, this year, the Côte de Beaune was more successful than the Côte de Nuits, but I tasted prominent tannin everywhere. Eighty per cent of Meursault's premier cru was damaged by hail and there was hail, too, in Chablis. A provisional expectation is fairly light reds that can be drunk early but whites that are austere and lack character.

Prices will not follow the Hospices' falls - for the simple reason that they have dropped already. In the past year, so

much regional wine (Bourgogne Rouge, Aligoté, Macon, etc) has been sold at low, often loss-making, prices that a run on the '93s has cleared out the market already.

There is no *en primeur* fine wine market in Burgundy and most growers (not the merchants) prefer to offer their wines in bottle in two years' time. So, we have plenty of time to make up our minds about buying the '93s. But, like their two predecessors, they will be inexpensive by burgundy standards. (Indeed, one distinguished merchant, Louis Latour, told me that in real money terms, prices were back to the 1962 level.)

I tasted some attractive '92 whites at prices half those of the '93s. The '92s will be available next spring and the reds are thought to be acceptable but not very interesting although the whites already have a high reputation: rich and full-bodied. The '91 whites, appear dull although, on the spot, there are some great admirers of the reds. Of course, the most attractive vintage recently is '90, but whether it is superior to the '93s remains open to question.

The trade in Burgundy is in better shape than last year, and there is a good market for the "village" wines. The recession in France has hit hard, but both Latour and Drouhin have expressed confidence in the UK market. Confirmed burgundy drinkers can look forward to plenty of very acceptable, moderately priced wines.

Edmund Penning-Rowell

The most perfect gift for a claret lover has presented itself in the nick of time for Christmas: the beautifully-bound and long-awaited magnum opus based on the unusually rich archives of Bordeaux first growth Château Latour.

Château Latour - The History of Great Vineyard 1331-1992 by my revered colleague Edmund Penning-Rowell is a treasure trove of the history of a two-volume work based on the Latour archives which appeared in French in 1974, but is very much more handsomely produced and continues the Latour story right up to this year when Allied-Lyons sold it back into French hands, concluding a 30-year British stewardship.

It was just after the property was bought by Pearson, owners of the *Financial Times*, that an extraordinary collection of correspondence between the managers and owners of the estate was found, some dusty embossed yielding a history not just of this property but of the world's most famous fine wine region, back to the 14th century. The book is elegantly written and helpfully presented so that anyone interested in Bordeaux finds it difficult not to be drawn in to this inside story of how some unremarkable marshland was transformed into the fount of one of the most magnificent liquids in the world.

The book is produced in a strictly limited edition, the first 10 copies are signed, and costs £145 from Harbards of Piccadilly in London

Appetisers
Strictly for serious claret lovers only

(071-439-9921) or from the publishers Segrave Foulkes on 081-546-8909. Janis Robinson

The FT promotion "Lunch for a Fiver" last January, which allowed people to eat in top-class restaurants for £5, bore several pale imitations in subsequent months. Coming shortly to a bookshop near you, however, is the book *Dinner for a Fiver*.

This is a direct response to a reader's letter which asked me how the 130 restaurants in our scheme managed to prepare a two-course lunch and sell it for £5. I asked the chefs and restaurateurs to provide me with a representative three-course menu which they had offered during that fortnight together with the ingredients and method.

Dinner for a Fiver contains recipes from more than 60 of the restaurants which took part and includes, in its 192 pages, menus for French, Italian, Chinese, Thai and even Belgian dinner parties.

Vernillon, the publisher, was brave enough to rise to my challenge calling for the paperback to sell for £5. The official publication date is January 6 but copies should be in

the bookshops before Christmas. It is also available by mail order. Tel: 0279-437203. Nicholas Lander

The record for the biggest ever single sale of cigars belongs to Zino Davidoff, doyen of cigar merchants. In a splendid new



coffee-table book, *The Illustrated History of Cigars*, he recalls that the event occurred in the late 1950s at his Geneva shop, when ex-King Farouk of Egypt, a large man in every way, placed an order for 40,000 Hoyo de Monterrey Double Coronas.

After many cables and phone calls to Cuba, the order was able to be confirmed. The king kept his side of the bargain, paying what now

would be the equivalent of £400,000.

The Illustrated History of Cigars, by Bernard Le Roy, Maurice Szafran, is published by Harold Starke Publishers, Eye Suffolk, 200 pages, £40. Frank Gray

If you have left an important client off your Christmas hospitality list, *nil desperandum*. Jeroboam's, the wine and cheese specialists, can come up with plenty of ideas for corporate presents. It specialises in putting together gift boxes for companies "whatever the budget". To ensure pre-Christmas delivery in the UK last orders should be in by December 16. Contact: Jeroboam's 51 Elizabeth Street, London SW1W 9PP. Tel: 071-825-5623, fax 071-825-5722. Retail and wholesale. Jill James

Essex company Tremayne and Webb, of The Gatehouse, Hobbans Farm, Bobbingworth, Chipping Ongar, is also well-used to supplying company boardrooms. Hampers and gift packs start from £9.75 up to The Ultimate

Indulgences Hamper at £425. Kimberley and Toby Webster will provide more details. Tel: 0277-890525, fax: 0277-890149. Last orders for UK delivery December 15. JJ

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Marks & Spencer is also trying to snatch some of the corporate market this year with its gourmet gift chest. Champagne, port and Christmas provisions come in a wooden chest at £250. Although I find the appearance of their cakes unattractive - "shop cakes" my grandmother would have said dismissively - its range of biscuits and chocolates is good. Attractively packaged, prices start for as little as 29p for chocolate pennies. Ideal stocking fillers and children's fare.

Careful selection of M&S campfires will also save you a lot of party catering time. Smoked salmon rolls filled with cream cheese or smoked salmon paste (£6.99 for 18) make a reliable cold platter. JJ

□ □ □

Innes traditional organic sourdough bread tastes like bread used to. A 2kg loaf measures 15 inches across and the dough takes five days to rise. It can be bought by mail order from The Fresh Food Company, 100 Bayswater Road, London, W2 (tel or fax 081-969-0351). It costs £10.50 including p and p. With the bread, the Mojama tuna, from Andalucia, a delicacy not readily available in the UK. Lucinda de la Rue

Distinctive Scotch

Campbelltown is a remote place. It lies almost at the end of that long spur of Scotland called Kintyre. If you are forced to take a bus it will take more than three hours from Glasgow. If the driver insists on stopping to eat his sandwiches, it will take almost four.

Campbelltown's is a sad story of decline. There were once 33 distilleries here. Today these are reduced to just two (and a bit). Their story has been told in a recent book by Brian Townsend: *Scotch Missed: The Lost Distilleries of Scotland* (Neil Wilson of Glasgow, £14.95).

No one is completely certain why Campbelltown became the "Detroit of Malt Whisky" in the 19th century. At first proximity to Ireland probably had something to do with it. Then there were the thirsty stavedores of the Glasgow shipyards to assuage and, finally, the great steamships which passed Campbelltown on their way out to the Atlantic. Some time around the turn of the century quality began to tail off in Campbelltown. Most likely the distillers had been overproducing. The distilleries limped through the first world war but were rubbed out one by one during the Depression.

Springbank is now the only Campbelltown whisky which can be said to thrive. Glen Scotia is periodically silent and Longrow is an occasional product of the Springbank stills.

Springbank is a highly individual whisky, a reflection to some degree of the fact that it alone of all Scotland's whisky distilleries - with the exception of Glenfiddich on Speyside - remains a small family business. Springbank has a modest peat count - about a third as much as Laphroaig across the water on Islay. Longrow uses 100 per cent peated malt, but wears it lightly.

At Springbank they call the complicated distilling operation "two-and-a-half times distilling". The spirit which comes off the still should be light and characterless. Not so Springbank. The Wrights put this down to the eccentric washstill and its rummager (this whisky around the still creating Springbank's much-admired complexity. The rest of the process is also individual. Most distilleries bottle their whiskies at a convenient central location after breaking them down to drinking strength with demineralised water. Springbank bottles at source using water from Crosshill Loch. For this reason its bottlings are at 46 per cent. At this strength they have determined that the whisky will not go hazy, unless, for some peculiar reason, you store your whisky in the fridge.

Springbank bottles whisky in a variety of styles. The classic 10-year-old is a nice balance of sherry sweetness and peaty smokiness. The 15-year-old has more bourbon oak character with some floral notes. The 21-

year-old is a return to sherry with a nutty richness about it; a superb whisky; the 25-year-old is a classic after-dinner whisky with great weight, built in a rich fruity style. The 30-year-old is rather woody.

Springbank also bottles vintage whiskies. A 1973 (15 years in wood) was another bourbon

wood spirit with an attractive nuttiness; the 1985 (25 years) was sherry again; the 1988 (29 years) was already woody but with a splendid combination of oloroso sherry, licorice and peat. I did not much like the 33-year-old.

Finally, Longrow should not be overlooked. The 16-year-old is a surprisingly lemony dram with a very subtle peatiness.

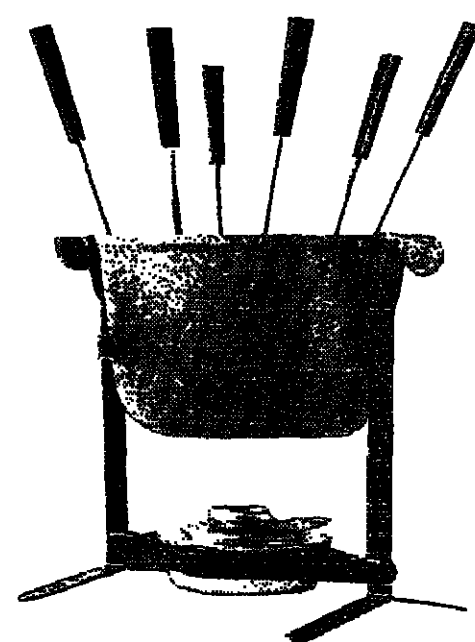
On the other side of Campbelltown Loch is the Isle of Arran where the Curries are building the Lochranza Distillery on the northern end of the island.

The shareholders intend making a relatively light whisky at Lochranza, not some peaty bruiser like an Islay malt. At the moment they believe other distillers will take fillings of their whisky for their blends but the survival of this brave venture does not depend on selling to the major whisky companies.

Lochranza is currently selling 2450 bonds which entitle purchasers to five cases of a blend based on Lochranza malt in 1988 and five cases of the malt itself in 2001. This will be a severe - to eight-year-old whisky. They see the importance of the bonds as a means of establishing a customer base for the future. They are not issued in order to cover the building costs. Anyone interested should call 0290-552283 or fax 0290-550177.

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little shop, I was guided through a tasting: from the rich bronze Grand Cru No 1 (£3.95), with all the "red notes" of the pure Crioilo bean, to the dark blended *amer* chocolate made with 85 per cent cocoa solids. Coody pointed out the astringent "green" notes introduced by the Trinitario bean, and woody, citrus or dry flavours inherent in various blends.

Next, we sampled chocolate with added flavours. Some combinations were familiar, such as orange or mint; others, like cinnamon, more exotic. But the real *liaison dangereuse* was the Pink Peppercorn (£2.50). If one were looking for chocolate's emancipation from the nursery, this is it: strictly adults only.

Rococo's range of chocolate comes in 100gm bars. A selection would make a delicious gift for a "foodie" friend, and, since Rococo encourages customers to try before they buy, I can also recommend the experience of making the choice.

There are, of course, those for whom chocolate has never lost its sex appeal. Charbonnel et Walker, chocolatiers by Appointment, have been in the business of ravishing their clients' taste-buds for over 100 years. Madame Charbonnel

Chocolate needs an educated palate, says Mandy Bentley

was reputed to have been a chocolate lover of no mean status - a royal mistress, no less - and C&W still treats its customers like royalty.

Its presentation is as seductive as the chocolate itself. You can fill an exquisite hand-made box covered in moire or Liberty print with a 10 lb assortment (C&W will keep a note of your favourite centres), or house two violet creams in a tiny silk basket. Casanova, who considered chocolate a potent aphrodisiac,

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Niche brands spread their wings

The fashion industry is in the throes of a brand revolution, as niche brands are "going life-style". Companies successful in a specialised area – such as knitwear – are diversifying into comprehensive clothing and accessory ranges in order to capitalise on the strength of their name.

Pringle and Burberrys, known for their cashmere jerseys and raincoats respectively, have introduced ranges of men's and women's clothing and accessories. Dr Marten, famous for its boots, has branched out into men's casual wear. Designer Paul Smith, acclaimed internationally for his menswear, is now designing for children and is about to launch a women's collection.

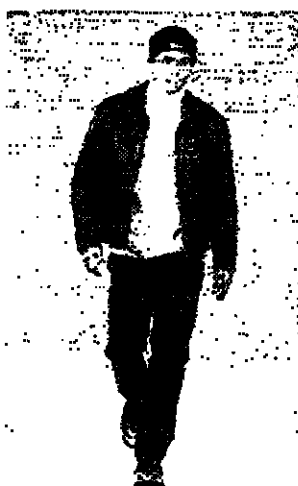
Andrew McRobb, Pringle marketing director, says the reasons for diversification are more complex than simply exploiting a name. "We are responding to dramatic changes in the high street over the past few years," he says.

"The growth of branded lifestyle chains such as Next has forced the demise of many specialist boutiques, which used to stock our merchandise. We must, therefore, produce a lifestyle offer aimed at department

McRobb believes changes in department stores have also fuelled the movement. "Stores used to have specific sections for knitwear, but now they have life-style sections, which include knitwear," he says. "They stock brands such as Cerruti and Escada which offer knitwear as part of a broader range. British brands have been traditionally slow to adapt to the evolving retail structure, and we have a lot of catching up to do."

When niche brands diversify they tend to make a bold statement to consumers by opening a flagship store displaying the full range. Pringle, for instance, has just opened one in London at 93 New Bond Street. And Levi Strauss customers have been made aware that it offers lots more than just jeans since the opening of its Original Levi's stores.

The expanded Pringle collec-



Doc Martens leather jacket (£315)
cotton drill trousers (£49) cream
jumper (£125) woolly hat (£15)



Burberry: warmer (£895), cord trousers (£79.50) shirt (£45), waistcoat (£110) jacket (£295)



Paul Smith: three-quarter length wool fish-tail-cuffed plaid suit (#475) available from February

check shirts, polka dot and paisley ties along with casual suede waistcoats, Ban sweaters and duffle coats.

Paul Smith says he is introd-

Paul Smith says he is introducing women's clothing, having observed how many women come into his shops to buy menswear either for their partners or for themselves. His collection captures the essence of the men's range with the emphasis on beautifully-cut suits and separates, quality fabrics, and details such as inside pockets, hand stitching, and vivid linings, normally the reserve of men's tailoring.

The silhouette is slim, with long, four-button jackets and knee-length Epsom coats in natural linen, navy mohair, and quirky pistachio/damson plaids. Skirted jackets feature

pronounced flap pockets and fishtail cuffs and come in orange, purple, red and navy silk dupion. Trousers are slim.

silk dupion. Trousers are slim, as are shirts which have long collars and, often, Nottingham lace cuffs.

Paul Smith is opening a shop for his women's wear early next year, alongside his menswear emporium in Floral Street, London. The collection will also be stocked nationally by leading department stores.

name. Jigsaw, the women's chain, has opened a men's clothing shop in Floral Street, with knitwear and a covetable black leather reefer coat, priced reasonably at £385, proving particularly popular.

Browns, the designer retailer on London's South Molton Street, having acquired a reputation through stocking labels such as Romeo Gigli and Donna Karan, is basking in the reflected glory by launching its

reflected glory by launching its Browns' Own Label women's clothing collection. Both Jigsaw and Browns' Own Label fill a gap in the market between high-priced designer labels and affordable high street brands.

While Italian, French and US fashion houses make fortunes out of everything from licensed scent to sunglasses to bath towels, UK brands are just beginning to wake up to the opportunity of a lifestyle.

■ *Richard Rawlinson is news editor of Fashion Weekly.*



Browse Own Label: trousers (£85) jacket (£185) waistcoat (£225)

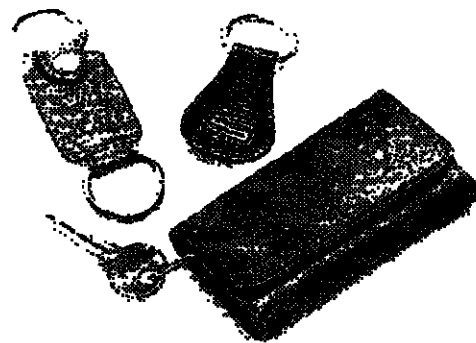


These three areas were part of the 1975 research project, "The Role of the Teacher in the Classroom," by the National Academy of Education. The project was directed by the National Academy of Education, and the research was conducted by the National Academy of Education, the National Academy of Education, and the National Academy of Education.

Pocket Organizer, No. 7825
4" x 6" x 1,7 lbs



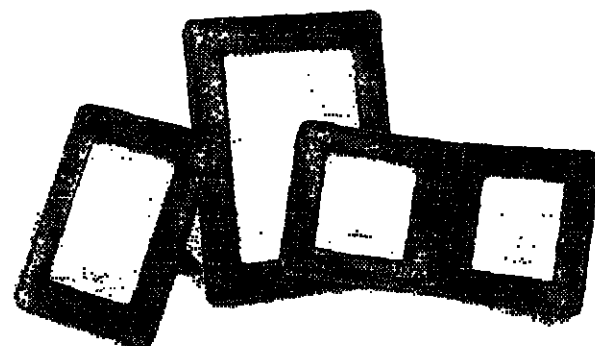
4" Anacite Case, No 5410
18 1/2" x 13 1/2" x 4 1/2" E930



Assorted Key Fobs
£15 - £25



Court Bag, No. 2870



Assorted Picture Frames
£70 - £80



Medium Cabin Bag, No. 502
22½" x 11" x 9" C-485



Women's Suede Cashmere-Lined Gloves,
No. 2003, 6's, 7, 7½, 8, £80
Men's Leather Cashmere-Lined Gloves,
No. 2030, S, M, L, XL, £75

Back Ser. No. 4134
188-134-52-622

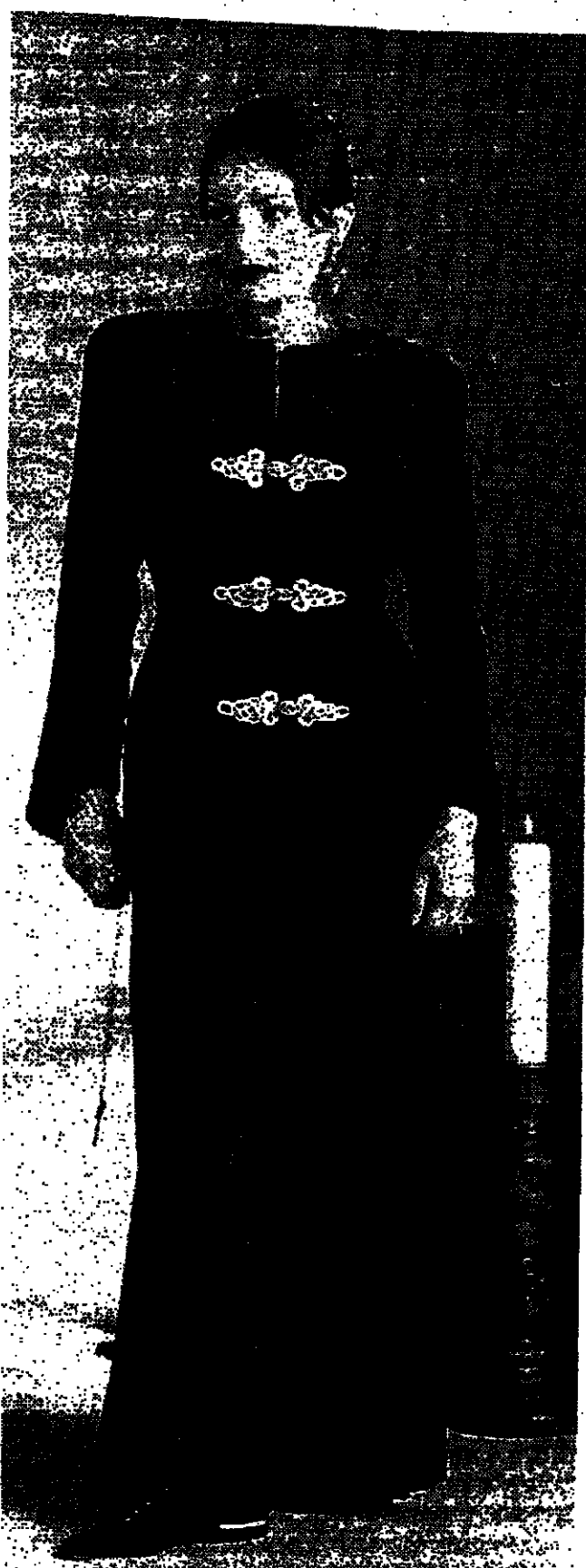
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FASHION



Ruby crushed silk velvet dress with gold frogging, to order from Lydia Cierach, 071-378-9131 (dresses from £1700). Velvet slippers, £57.99 from Russell and Bromley. Earrings, £38 from Butler and Wilson. Pearl and gilt cross, £24.95 from Fenwick. Garnet and gold necklace (in hair) by Barbara Boshé Nelson, £185 from Harvey Nichols. Ally Capellino, Wardour Street, W1 and Moore and Co. of Windsor. Burgundy tights by Golden Lady, £2.99 from Selfridges.

Pictures by Trevor Loughton



Red crushed velvet dress with gold lace trim, by Frank Usher, £285 from Fenwick, Harrods, Selfridges, Ambers of Amersham, Jacques of Weybridge and Miss Pickwick of Salisbury. Gilt and glass choker, £148 from Butler and Wilson. Garnet and gold necklace (in hair) by Barbara Boshé Nelson, £175 as above



Printed silk velvet top by Georgina van Elzdorf, £275 from Harvey Nichols, Knightsbridge, London SW1 and Richard Crane of Manchester. Blackberry velvet trousers, £220 from Caroline Charles, Beauchamp Place, SW3 and Hoopers of Cheltenham. Velvet boots, £500 from Chanel, Old Bond Street, W1 and Sloane Street, SW1. Velvet cap by Corinne Hutton, £47.75 from The Hat Shop, South Molton Street, W1, Neal Street, WC2 and Glasgow. Jet-black cross, £99 from Butler and Wilson, South Molton Street, W1 and Fulham Road, SW3. Seeds, £17 from Marks and Spencer. Amethyst and gold ring by Verdura from Obsidian, Duke Street St James's, SW1.

Get dressed up for the Medieval revival

Velvet is the dominant fabric in evening wear. Avril Groom reports

The best-dressed parties this winter have a touch of the Gothic about them - anything from medieval high romance, through Renaissance richness to the arts and crafts movement.

It is easy to see from where this revival comes.

The current dominant shape is flattering fit and flare - a snug, narrow-shouldered bodice flaring out gracefully to a full hem - and it is but a short step in the designers' imagination to a medieval fantasy of raised waists, scooped-out necklines, flared sleeves, rich velvets and figured damasks, jewelled crosses and huge rings - even small trains on those fluted skirts.

Velvet is the unifying thread running through this winter's fashion stories and it asserts its supremacy even more strongly for evenings, its natural habitat.

Crushed, pleated, panné, embroidered, beaded, devoré or just smoothly glossy, it is the must-have fabric of the moment.

If you are buying one evening piece this winter, make it a simple, loose-cut black velvet tunic: Ben de Lisi's is one of the best.

Get Gothic for now with spanking great crosses and oodles of jet, but have the comfort of knowing such a classic will look just as good in other guises when fashion returns to the 20th century.

Black is still highest-rated

for evening but velvet gives hope to those who believe there is night life after black. Its pile is woven as tiny loops, which are then shaved off.

This very fine, carpet-like texture creates a depth of colour and sheen that lends itself to the glowing shades of medieval art - ruby, burgundy, deep green royal blue and purple.

Many fibres can take a velvet pile. Cotton is tough but has little sheen or drape and is best for tailoring. Liberty sells it for £13.95 a metre.

A viscose-acetate mix, around the same price, is softer but for a sinuous, shimmering medieval dress, a viscose and silk mix at £49.95 would drape much better.

Pure silk velvet is now an haute couture rarity. All velvets show marks, so the crushed type, where the pile is pressed in, is more serviceable.

Whatever its finish, velvet has an instantly dressy effect which is also versatile.

Without any adornment, the basic budget velvet dress usually in stretch panné velours with a scooped neck and fluted skirt, would be fine for an informal dinner or anywhere on the young and stunning.

A short, cap-sleeved version in green or black from Marks and Spencer (£39.99); Monsoon's long style in black with a tracery of gothic patterning (£80); or Moni's emerald-green fluted and 'Whistler' purple tunic style would pass muster worn innocently with a simple

silver cross on a leather thong and plain, centre-parted hair.

And yet, as a foil for a treasure chest's worth of beads, baubles and jewelled crosses, any of them could look immensely grand.

At the other end of the market, designers tend to add the jewels for you, trusting their own taste rather than that of their customers.

Amanda Wakeley's blackberry velvet, strappy column,

moulded to every curve, has a high-waisted bodice encrusted with whirls of old gold beading (£899).

David Fielden's sleeveless

midnight blue fishtail style

(£404) has a wide, beaded hip

belt that would grace a medi-

eval siren, while a silken hood

overlaid with old gold lace and

scattered with golden beads

adds a touch of mystery to

Hardy Amies' burgundy couter

sheath (dresses from

£2,500).

Camouflage to be seen in

To the moors to admire a man's leg! How rarely we see it and what a joy to behold if well-turned under a pair of breeches. If a girl wishes to take on this spectator sport she must also take on the elements, for the moor is one of the last public places, apart from the swimming pool, where the male limb, "clean as a fork with the wind whistling through its prongs" (as Mrs Mountstuart Jenkinson wrote of Sir Willoughby Patterne in the 18th century) can be admired.

Panting up behind a keen stalker, his breeches blown tight against his rump, his prolegs defined in peaty, ribbed stockings, is all enough to send her heart racing and her lungs burning - or is it the interminable climb? They call such attire "camouflage" but I'd call it the most glorious adorning of the male species.

Camouflage. People define it in such curious ways. Surely the aim is not to be seen: by stag, grouse, salmon or hare. And yet there seems little camouflage afforded, as most, save for the locals, attempt to flaunt, not camouflage, their prosperity and their physical prowess.

Surveying the huntin', shootin' and fishin' fraternity around Perthshire one can almost predict who will come home with a full bag just by looking at their attire.

The locals naturally, look the most convincing in a colour span that ranges suitably from lovat and Sherwood greens to peat and bogwood browns; for barely half way up the drive they disappear into the similarly-hued terrain.

The Germans come a pretty close second: a sober and military lot who, like the Scots, approve of parsimony, and so favour weathered Loden hand-downs. But those Italians just can't help adding a dash of peridot or scarlet cashmere to their sensitive limbs. Like baboons on heat, they announce their eager and colourful presence.

By far the most extraordinary camouflage is displayed on two American lady falconers, ankle-deep in heather in search of grouse. One is in a clashing concoction of Bay City Rollers' tartans, which she has crowned with a waxed cotton Indian turban; the other, built like a sturdy ram, is in a mid-length black distressed leather coat inset with

a panel of plastic panther pelt along her spine.

That an amorous local wild cat has not compromised her is quite remarkable.

Three Texan sisters hunting rabbits through the rushes seem not to have heard of sporting camouflage and still to believe that flaunting it is all.

The trio are identically kitted out in champagne-coloured leather field-boots from Schneiders, and a fawn suede jacket and matching breeks tailored to the slenderising millimetre.

The buttermilk cashmere polo-necks and laque stecsons atop their bottle-blond locks make them look like brittle

Jane Mulvagh takes to the moors and finds a colourful variety of hunting attire

bamboo canes about to snap in the gales of an unsuitable climate.

The dry-cleaning bills alone for those sodden suedes trumpet their affluence.

But even the pros are occasionally tempted from their green-brown camouflage, probably out of boredom. The suitably sober falconers setting off with Harris hawks could not resist the chicken-yellow stockings shown to them by their Japanese clients.

There they stand, proud but silly, in lovat to the knees, their lower legs mimicking the yellow talons of their hunting machines and the plumage of the one-day old chicks stuffed into their pockets.

The gap between tradition and high fashion is too large to bridge when hunting and just as the Leander Club oarsmen bemoaned the colour of their flamingo-pink socks earlier this year at Henley - too bright to convey the correct provenance - so the ageing snobbery persists north of the border.

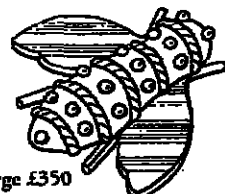
But for the newcomer who wants to appear authentically barbarous, all is well. I hear that a London firm has set up a service to ensure instant sibilicity: they will distress and age your new waxed jacket! Now that is keen camouflage.

Annabel Jones

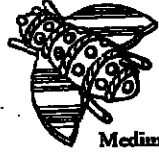
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Scarves: an alternative

There is hardly a fashion editor who doesn't own a Georgina van Elzdorf scarf - but there are alternatives.

Calver & Wilson, for instance, go in for rich plain velvets, the most delectable in panné velvet. The scarves feature richly contrasting or toning borders. The range starts at £39.50, with children's versions at £12.

The range is stocked at Browns of South Molton Street, London W1, Harrods of Knightsbridge, London SW1, Joseph, Liberty and other quality shops.

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GIVENCHY

MOTORING AND SPORT

Motoring

What will the Chunnel offer?

Stuart Marshall casts a sceptical English eye on the benefits of undersea travel

Like millions of people living in the south-east of England - and particularly in my own county of Kent - I have never been a Channel Tunnel enthusiast. This is not because the high-speed rail link, should it ever be built, would go anywhere near my home. Put my feelings down to being an old-fashioned reactionary, I liked Britain being a proper island and I have always seen the Channel crossing by ferry as pleasure, not penance.

I doubt I was alone in hoping that if I ignored the Chunnel, it just might go away. But new bridges began appearing across the M20 as it neared Folkestone, while a forest of gantries and overhead wires went up behind high concrete retaining walls. Work trains could sometimes be glimpsed.

When the first advertisements appeared for the Chunnel car ferry, which starts running next May, I thought it was time I had a look. It was a revelation. What has been built, unseen by M20 users, is something as big as an airport terminal. But instead of acres of runways, there is a marshalling yard and rail tracks running into a tunnel.

The operating company, Euro-

tunnel, says people still have many misconceptions. Many think they will be able to drive their cars through to France; and while most do realise it is rail only, some believe their cars will go on flat trucks, as on car-carrier trains, while they ride in passenger carriages.

Wrong again. You stay with your car in a windowless van. You can walk around it if you wish, but the only place to visit is the lavatory in every third interconnected coach.

When, in five months, the tunnel starts competing with the car ferries, this is what will happen. Motorists will leave the M20 by the Eurotunnel slip road, pause at a toll booth to pay for their passage, and then have a choice. Those in a hurry can pass through Customs and drive straight on to the train.

Others can go to the terminal building for refreshments and duty-free. Tickets can be bought from travel agents in advance but there are no reservations; all-comers get in line for the next train. At peak times, there will be one every 15 minutes; but if you just miss one at, say, 2am, you could have to wait an hour or so.

Platform to platform, the under-Channel train will take 35 minutes. Eurotunnel says that, during the day, a motorist should be able to drive out of the French terminal at Sangatte, near Calais, and on to the A26 autoroute within one hour of coming off the M20.

There will be separate ferry trains for cars and commercial vehicles. Main line passenger and freight trains will also use the tunnel but, apart from sharing the tracks, have

nothing whatever to do with the car ferry trains.

Fares have not been fixed but, to compete, they must be about the same as those on the ships. Every safety and security precaution known to man has been taken. Using Eurotunnel should be rather less risky than riding in a clapped-out London Underground train.

Will it kill off the Dover-Calais ferries? Of course not, although it will take a chunk of the available (and constantly growing) business of transporting cars and lorries to and from mainland Europe. If the tunnel's freight trains reduce the number of juggernaut lorries now pounding our motorways to pieces, every motorist will cheer.

I have two reservations about Eurotunnel (which, beyond any argument, is a wonder of 20th cen-

tury civil engineering of which Britain and France can be proud). While I do not exactly relish the thought of an underground - and, even more so, undersea - journey of more than 30 miles (50 km), I shall certainly try it. But the idea fills many people with such undiluted horror that they say there is no way they will ever make the trip.

A more logical objection is that the time saving could be an illusion. The train might take 35 minutes, platform to platform, against the ferry's 75 minutes, dock to dock. But you can eat, stretch your legs and shop during the sea crossing. A family driving from, say, Birmingham to Paris would have to stop for a meal before or after the tunnel crossing - so what has happened to the time saving?

Many cross-Channel travellers,

very sensibly, use the ferry as a mobile motorway service area. So, with an eye on the Chunnel's opening, P&O and Stena Sealink have upgraded their fleets. The ships are now more like cruise liners than ferries in size and facilities. They are so stable that even a gale does not disturb their equilibrium - or, more important, that of their passengers. For an extra £5 on each leg, P&O club class is a truly civilised way of crossing the Channel.

When heading west to Normandy and Brittany, I like using the longer routes such as Newhaven to Dieppe; Portsmouth or Southampton to Le Havre, Cherbourg or St Malo. Longer crossings are not always reflected in higher fares; a four-hour Newhaven-Dieppe voyage can be cheaper than Dover-Calais.

Although the ships on these

routes are not as large as the short-haul super-ferries, their facilities are comparable, if on a smaller scale. My wife and I have passed less comfortable nights in hotels than we did recently between Portsmouth and St Malo on Brittany Ferries' 23,000-ton *Bretagne*. It has every facility to make the eight-hour crossing pleasant; even a hair-dressing salon.

In Britain, Suzuki is synonymous with small four-wheel drives, and its Swift front-wheel drive hatchback gets overlooked. It deserves better. I thought the Swift GLX 1.3 automatic five-door, which I used as a runabout recently, would suit many buyers whose motoring is mainly in town and who raise ease of control above all else. The four-cylinder, multi-valve engine and three-speed automatic gearbox are well matched. Power steering is finger-light; central locking and a tilt-adjustable steering wheel are standard; and the high-roofed body is agreeably roomy, with good all-round vision. The ride can be bouncy on bad roads, and luggage has to be lifted over a high sill. But, at £9,125, the two-pedal Swift is cheaper than any power-steered rival.

Sailing/Keith Wheatley

Blown through the pain barrier at record speeds

Sailors are finding the pain barrier at least as relevant as boatspeed when it comes to driving the Whitbread 60 class. "It was very wet, very cold and very dangerous. I wouldn't wish it on anyone," said Andrew Cape, navigator of second-placed *Tokio*, when he stepped ashore in Fremantle at the finish of the Whitbread second leg.

His colleague, watch-leader Matt Smith, stood barefoot enjoying a cold beer and the Aussie sunshine. It was first time he had had his fleece-lined seaboots off since the leg began.

The watch running into the finish was the first without the crew muffled in foul-weather gear.

"I hate the Southern Ocean," cursed *Winston* skipper Brad Butterworth as he stepped ashore. "Foggy, rainy. An incredibly bleak and stupid place. No wonder there's no one down there."

Tokio is still race-leader, her first leg lead clipped away when *Intrum Justitia* finished, two hours ahead of her.

Skipper Chris Dickson was happy to confirm that his tactics were ultra-cautious through the 7,500 miles of the Southern Ocean.

"In our boat we were very, very conservative. Every time it blew over 40 knots of wind, we'd see *Intrum* gain between 10 and 20 miles on us in a six-hour period. After two high-speed broaches which we didn't enjoy at all, we'd just take the foot off the pedal."

Probably the worst weather of the leg came a week ago on the night *Brookfield*, the Italian entry, began to sink.

With over 60 knots of wind across the deck *Tokio* was sailing with no headsail and just a deep-reefed main. Nevertheless, the lightweight sloop was still making 13 knots - and according to the next day's satellite position check had gained on several rivals which had pressed on regardless and suffered sail and equipment damage.

Intrum, skippered by British helmsman Lawrie Smith, had led the W60 fleet since leaving Uruguay 25 days ago. During that period she broke the world speed record for a 24-hour run, covering 425 sea miles. Yet her biggest trial came two days from the finish just off the West Australian coast.

"We just found a hole between us and Australia," said navigator Marcel van Triest, explaining how the yacht drove into a windless localised high-pressure system that saw boat speed fall to under two knots.

First across the line: *Intrum Justitia* reaches Fremantle

Tokio closed from over 80 miles astern to 19.

"We deserved a bigger lead than two hours. It was pretty frustrating to see two weeks work eaten away like that," said Smith. His victory was all the sweeter for having been achieved against the odds.

Intrum's original skipper Roger Nilson pulled out of the race on medical grounds. Smith was hired and joined the yacht just days before she left Uruguay. Morale was a little wobbly after a disappointing first leg that left the well-funded and highly-organised yacht to finish in fifth place.

"He was very quiet at first, joining each watch and observing how people performed before making any moves," said navigator Marcel van Triest. "Lawrie got respect from the crew because of his capacities as a sailor not because he was imposed by a sponsor."

However, it was van Triest's contribution that gave *Intrum* her vital break. The destruction in a gale of the vital mid-size gannet meant that by the half-way point of Prince Edward Island, *Intrum*'s slender lead over *Tokio* was being eaten away to less than two miles.

"As we rounded Prince Edward they had us on visual and we had to get away," recalled Smith. "Marcel said to go south, although it put us on the wrong gybe and I wasn't too happy about it."

"I said we had a two-thirds chance of gaining 30 miles and a one third chance of losing 10, so Lawrie said to it," said van Triest. "Then he moaned about the decision the whole night."

Van Triest emerged from the leg

with his professional reputation sky-high. *Intrum* caught a ride on a localised low pressure system and was 50 miles in front by dawn.

"We could see their sails down to the south just racing away from us and there was nothing we could do," said Dickson. In the context of the race overall, his own performance was near faultless.

"We started this leg with a 10-hour lead over *Galicja* *Pescanova* who were lying second, and we're now 15 hours up on them, so we feel we have improved," added Dickson.

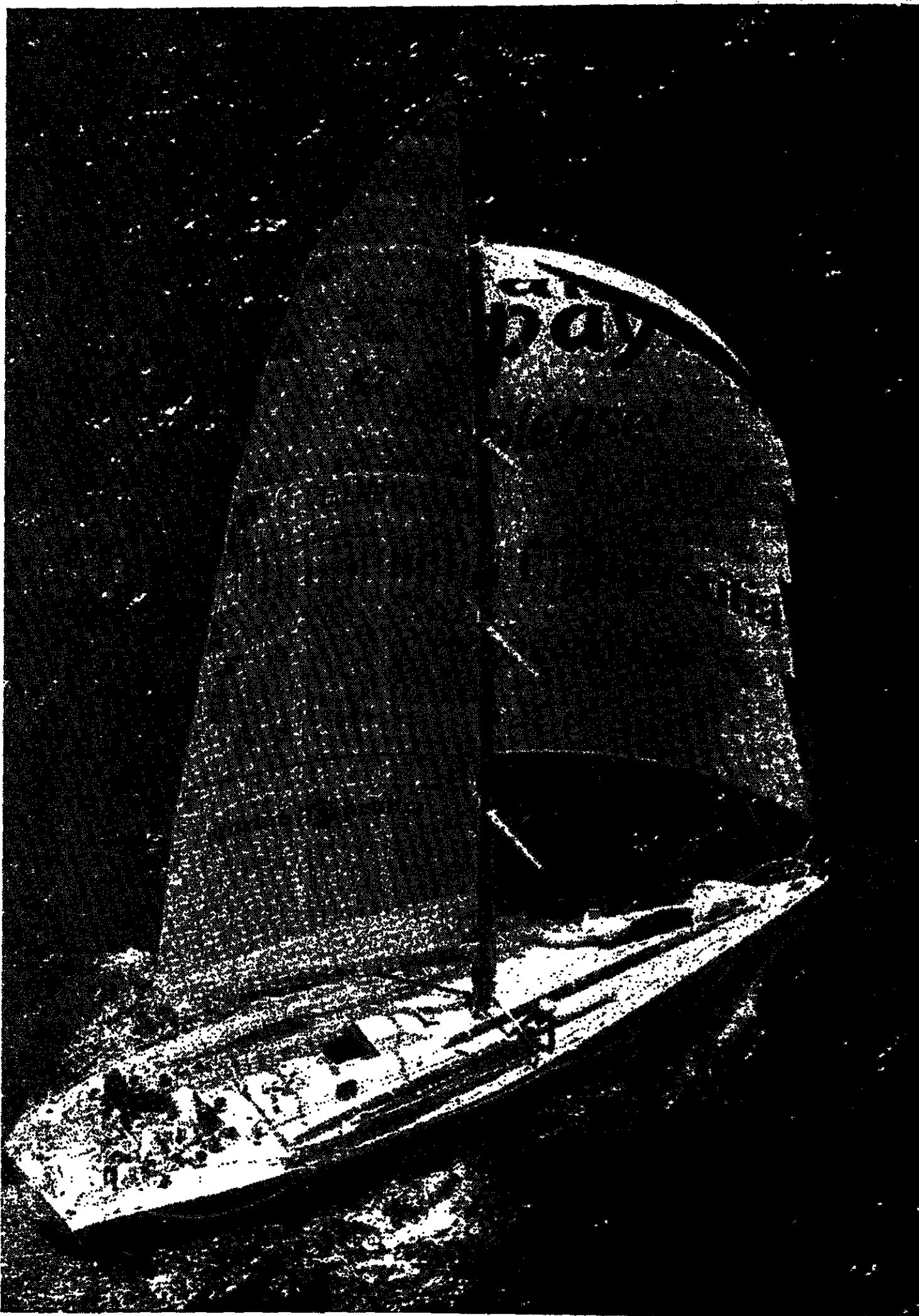
Merit Cap, the maxi-ketch skippered by Swiss helmsman Pierre Fehlmann, was the first of the maxi-class to finish, with an elapsed time of 25 days 21 hours 11 minutes, 44 minutes behind *Yamaha*.

New Zealand *Endeavour*, *Merit*'s only serious rival in the five-boat maxi fleet, came in one hour and 46 minutes later. It was a more than creditable performance for a yacht that lost the upper 6m of her mizzen mast halfway through the leg.

Having crossed the line eight hours and 32 minutes ahead of *Merit* on the first leg, NZ *Endeavour* skipper Grant Dalton has finished Part Two of this 33,000-mile epic in much better shape than he could reasonably have expected and still comfortably leading his division.

Dalton's thesis that one of the outdated but still powerful 80ft maxis could lead the lightweight W60 class around the world remains unproven.

Without her full sail area NZ *Endeavour* struggled in lighter air but her highly-experienced Kiwi crew still did a remarkable job to bring the wounded boat to the line well in touch with the race leaders.

Under full sail: *Intrum Justitia* broke the 24-hour speed record during the 25-day 7,500-mile leg from Uruguay to Australia

Tennis/John Barrett

When Germany is in love

Love affairs can be painful. As Boris Becker, competing in the \$6m (\$4m) Compaq Grand Slam Cup for the first time, balled his way to ignominious defeat at the hands of the young South African, Wayne Ferreira, in the first round last Wednesday, women in the crowd at Munich's Olympiahalle were reduced to tears and grown men were biting their lips.

A national hero had died. Germany fell in love with Boris in 1985 when, at the age of 17, he won the first of his three Wimbledon titles.

He was the first German, the first unseeded player and the youngest

male ever to win the world's greatest title.

In December that year, I was in the same Olympiahalle to see Boris beat both Stefan Edberg and Mats Wilander as Germany went down honorably to Sweden 2-3 in the final of the Davis Cup. The scenes of emotion among the fanatical German supporters that weekend were extraordinary. Becker's reaction to the chanting, the stamping and the tears of joy was even more extraordinary.

"When I looked into their eyes I was frightened," he said afterwards. "At that moment I could understand what had happened to us at Nuremberg."

Eight years later the tears of joy have become tears of sorrow. Becker looks older than his 26 years. Life in the fast lane has

taken its toll. At heart Boris is a generous soul, but the soul is in torment. He has agonised about his place in the universe, has contributed anonymously to good causes, has wrestled with the penalties of fame and wealth and has tortured himself over the rival claims of duty to country and self as he has pursued the No 1 ranking. He has also changed coaches with bewildering rapidity and has finally broken with his manager and mentor, Ion Tiriac.

All that has been painful enough but love, too, has brought personal pain. The disturbing outburst of racial hatred against his fiancée Barbara Feltus forced the couple to consider moving abroad for the arrival of their first child early next year.

The man who has replaced

Becker in the hearts of his countrymen is 25-year-old Michael Stich, who this afternoon plays Edberg in a semi-final that repeats their first round clash here last year. That was a highly emotional occasion for the German - not only because the match itself produced some of the finest tennis of the year as Stich came back from 1-4 down in the final set to win 7-6 6-7 8-6.

It also marked a revival in the fortunes of a man whose epic Wimbledon victory over Becker in 1991 had not brought him the adulation at home that he deserved. When the two Germans met again at Frankfurt in the ATP Tour Championship that year the crowd left him in no doubt who was their favourite.

During a mediocre 1992, Stich tried to come to terms with that

difficult situation. A win over Becker in May on clay in Hamburg, his home town, was generously applauded by the north German fans. The win over Edberg in Munich, the city that he had adopted after meeting his former coach, New Zealander Mark Lewis, at the Iphitos Club three years earlier, at last established Stich as the rightful heir to Becker's crown. As he sat on court afterwards the emotion overflowed.

"I am not ashamed to cry," he said. "Maybe this was one of the most important matches I have ever played... Just to prove to myself that I can still win, to prove to all the people out there who counted me off already."

Certainly that win re-ignited the talent that had lain dormant since Wimbledon 1991. In a blaze of pow-

erful serving, skilful volleying and penetrating returns and passes, Stich swept past Richard Krajicek, Pete Sampras and Michael Chang to win the Compaq Cup and the \$2m cheque that went with it. Stich had at last come of age.

The maturing process has continued most impressively in 1993. Stich has enjoyed the sort of success that all players dream of but few achieve. True, he has not won any of the four Grand Slam titles, but the new German No 1 has done just about everything else. For the second time in three years his titles have included victories on all four surfaces (clay, grass, hard and indoor carpet), a feat last achieved by Ivan Lendl in 1983.

The most recent of those titles, a magnificent win in four sets over the world No 1 Pete Sampras in

Frankfurt three weeks ago, earned Stich the world No.2 ranking for the first time. It also revealed that he had come to terms with his countrymen's infatuation with Becker.

"I had to learn the last two years that there are always going to be heroes in a country. Boris was the one that caused tennis really to be recognised and he deserves the credit he gets."

Last weekend in Düsseldorf, Stich contributed three victories in leading the Beckerless German Davis Cup team to victory in the final against Australia. That tasted especially sweet.

"When the year began I did not expect us to win the Davis Cup. But I think I have showed that I am a good tennis player. I played two great tournaments in Germany and now every match I win is like a Christmas present to myself."

Perhaps the best present of all was the recent popularity poll in which he was voted Germany's "Athlete of the year". At last Michael Stich has become a hero in his homeland. A new love affair has begun.

MOTORS

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PERSPECTIVES / OUTDOORS

Fostering a culture of contempt

What is happening to us? After the first wave of shock and rage over the latest swind incident of child violence or psychopathic cruelty - or even worse, non-psychopathic cruelty - has receded, different voices can be heard in radio interviews and letters to the press. They hold a note of puzzled horror. What caused people to behave like that? What causes children to behave like that? If we knew the cause, we could allocate the blame.

Grown men with guns in Bosnia doing a spot of ethnic cleansing is one thing. But child murderers in Britain? What is going on? Could the atrocities of Bosnia be lurking just under the surface of England's green and pleasant land?

Is there more wickedness about? I know no sensible calculus of evil. I suspect that all human communities have a certain quantum of evil sloshing about in the bigs and leaking out in different ways.

The fabric of social controls which keep it from flooding out and destroying civilised behaviour are only built with immense patience and moral courage. Many

of those controls are now being wantonly eroded. Looking for scapegoats we often focus in the wrong place. Above all we long to punish - violently.

Are the two lads in Liverpool who so brutally bashed the life out of a weeping toddler so "uniquely wicked" that they must be punished by shutting them up for "many, many years"? For a 10-year-old, is 20 years in prison punishment, containment or therapy?

The murder was indeed grotesque. It has aroused a tidal wave of punitive rage, particularly in the neighbouring housing estates. One of the most memorable images from all the bizarre media coverage of this horrible little tragedy was the picture of adult men and women surging forward behind the control barriers, their faces contorted by grimaces of animal rage, shaking their fists and yelling obscenities at the police vans bringing the two boys to court.

Brutality to small children

rouses violent passions. Yet, if the crowd could have got at these two, it would have torn them to pieces. Instinctive rage is not a good base for moral discrimination.

By what scale of values are the two 10-year-olds categorised as "uniquely wicked"? Yes, the deed was horrific. Any normal child brought up to be aware of and care for the feelings of others, particularly smaller and weaker people, should have an instinctive or acquired revulsion against such brutality. But adults have put images of extreme violence in front of children for years.

Quite apart from violent fantasy, the real world feeds our imaginations with nightmares every day: a 16-year-old girl tortured slowly to death; horses maimed; a bar sprayed with bullets; pedestrians slaughtered by drunken drivers. Hasn't the threshold of moral inhibition dropped dramatically in the past 15 years? Certainly, violent crime is now common among much

younger children.

All the panels and leading articles and media interviews ask the same question: why did it happen? Wickedness is real enough. But it does not hide just in the place where punitive rage focuses the prurient lenses of the press.

Hugh Dickinson asks how vulnerable families can be expected to produce good children

And it is increasingly difficult to know where wickedness ends and insanity begins - or sickness.

Are drug addicts wicked? We do not punish insanity, not even grossly criminal insanity. We lock it away and try - albeit half-heartedly - to cure it. There might be a

genetic component to both insanity and wickedness but, certainly, both are largely the product of the interaction of environment and personality. A society in which the delicate network of community values and community feeling has dissolved will breed mental illness, insanity and wickedness. The fault lies in ourselves and in our stars.

Any parish priest or GP will tell you, however, that individuals and families are feeling themselves increasingly isolated in a disintegrating community. How far that is the unwitting consequence of public policies over the past decade is hard to tell. The culture of contempt has been fostered deliberately in politics and among the comfortable classes.

Collective responsibility has been undermined in the cabinet, in parliament, in local government and on the streets. Every man - yes, man - for himself and the weak go to the wall. Is that wickedness? How can vulnerable families with

inadequate parents and no money be expected to produce sane and good children in such a climate? Amazingly, many do.

The people who might help them - teachers and social workers - equally are the object of public contempt. It seems we must have someone to kick. If we can locate evil in a class of people, in a foreign country, in aliens or in two small boys, we can project into them the darkness which is in ourselves but which we dare not own. Then we can beat the living daylight out of them.

A cabinet minister said recently that we should have less "understanding" and more moral condemnation of anti-social behaviour. Would he, I wonder, have "understood" the sale of arms to Iraq, an action which resulted in the gruesome deaths of thousands. Would he be "understanding" of adultery among his fellow ministers?

The trouble is that if we begin to understand, we find that these sim-

plistic black and white condemnations do not fit the moral complexities of human behaviour. In fact, they often turn out to be positively wicked. It puzzles me that we have to turn to the commentators in the foreign press to find any hint that the treatment of the two small boys by the press and the court might itself be thought an instance of extraordinary wickedness.

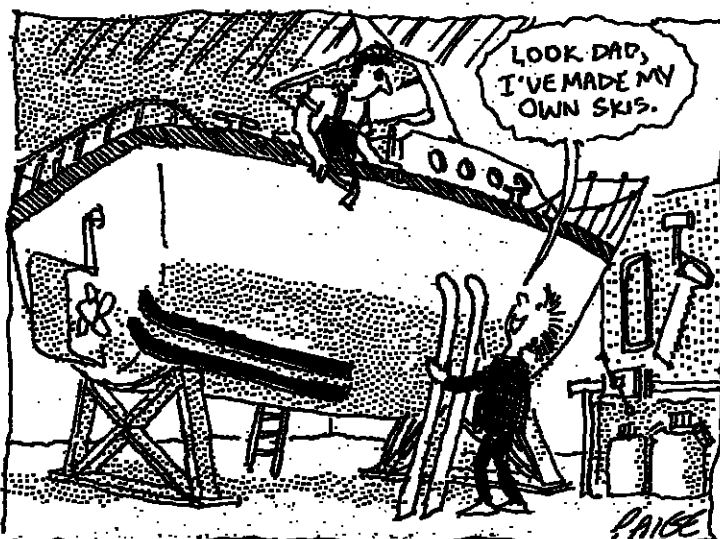
Or is this urge to condemn, itself a kind of sickness? The psychopath is so sick that he has no inkling of what it is like to be another person. Doing gruesome things to them may produce awful pleasures in himself, but there is a complete dissociation between his inner world and outside reality.

That might have been the case with one of the convicted boys. It certainly appears to be the case with certain aspects of our society. There seems to be no real empathy for the accumulating pain down the streets of Britain - only a puzzled angry surprise when it explodes in wicked deeds. After a decade of punishment, I think Britain needs some TLC.

Hugh Dickinson is Dean of Salisbury

Are those my skis?

Arnie Wilson makes a pair of his own - and is very reluctant to use them



THE checklist could hardly have been longer if I had been about to undertake micro-surgery: under-gloves; gloves; apron; industrial glasses; protective shoes; gallons of purple resin to slosh and slosh all over the bench; all kinds of bits of pre-shaped fibreglass; triaxial-braided torsion box; carbon steel racing edges; Grateful Dead top-skins.

On second thoughts, I felt more like a kid in a playgroup than a surgeon. Up to my armpits in purple grunge, I had serious doubts about whether the soggy, clammy, messy, viscous, sodden objects I was toying with would ever turn into anything, let alone brand new skis.

But then, perhaps they didn't: perhaps the sleek, elegant Dark Star K2 TPC skis with Limited Edition Grateful Dead "Lunatic Fringe" tops and my name lasered into them in red were substituted in the final stage of the manufacturing process. Perhaps the ones that I "made" in Seattle were thrown laughingly on the scrap-heap.

There was certainly plenty of time for a switch to be made between my putting the finishing touches to the skis and their arrival 24 hours later - after we had paced up and down the K2 ski factory on Vashon Island like fathers-to-be awaiting the arrival of new-born babies. Another possibility was that Tom, who had guided me patiently through the whole process - "wet it out - then get a long, skinny bead and give it a uni-directional blast with your paddle" - could easily have substituted some he had "prepared earlier".

The invitation to make my own skis was irresistible, especially to someone technologically illiterate such as myself.

K2, which has dynamic, Himalayan-sounding connotations, actually

refers to the Kirschner brothers (Bill and Don) who used to make skis and animal cages on Vashon Island, a short ferry ride across the spectacular waters of Puget Sound in Washington State.

Then one day in 1961, using a pair of borrowed skis as a pattern, Bill Kirschner made himself a pair of fibreglass skis. By 1964 Kirschner Manufacturing produced their first commercial batch of skis: 250 pairs. By the following year, the figure was up to 1,600, and by 1966 K2 was selling 21,000 pairs of skis and the company had 83 employees. Today K2 is America's top-selling ski, selling 500,000 pairs annually worldwide - about 10 per cent of the world market.

Skis you make yourself are rather different from rentals, and having made my own, I did not really want to ski on them. I became paranoid about the faintest hair-line scratch. Every run became nail-bitingly tense. At the slightest impact I imagined all those funny, sloshy bits of resin-soaked fibreglass spilling out like entrails from a punctured corpse.

At least in America, in fresh snow, they had a chance, the poor wretches. Crystal Mountain, 76 miles from Seattle, was a pleasant surprise, although we did arrive in unusually good snow conditions. With almost 30 trails, acres of back-country skiing, and a vertical drop of more than 3,000 feet, the cost of a lift pass - \$16 during the week, \$28 at weekends - came as a revelation after most prices in Colorado, Utah and California.

Alpental, only 46 miles from Seattle and one of four interconnected resorts in Snoqualmie Pass, was also quite a find simply because of its challenging International run and its exceptional back-country skiing. It is very rare to find great tree skiing on long, steep slopes in such a small resort.



To make your own skis, you will need gallons of purple resin and a triaxial-braided torsion box... among other things...

My new skis had a field day blasting their way down Draft Dodger Ridge, Great Scott Bowl and Trash Can. Alpental, and its neighbours - Snoqualmie, Ski Acres and Hyak - have 33 lifts between them and 16 runs are flooded every night. However the owner, Dave Moffett, seems to have somewhat optimistic statistics about the annual snowfall, which he swears is between 400 and 450 inches.

Independent estimates put this at 170 inches. Still, as with Crystal Mountain, it's extremely good value, especially on Mondays and Tuesdays when a ticket will only set you back \$10! It's \$15 dollars a

day for the rest of the week and \$25 a day at the weekend.

Snoqualmie is Twin Peaks country, known in real life as North Bend. On the way back to Seattle, we called in at the cafe that doubled as the Double R Diner, where we were assured that "no one here is investigating murders, insurance scams, shady land deals, committing adultery or joining secret societies", and paused for lunch at The Salish Lodge immediately above the spectacular 280-foot high Snoqualmie Falls which featured in the Twin Peaks opening titles (or so I am told).

As for my skis, they are safely

home in west London, leaning against the wall of my office, trophies to be gazed upon by a string of admirers, including my mother and the lady from Meals on Wheels.

One day, perhaps, they will find their way on to the wall of a mountain restaurant in the Alps. Perhaps with a fitting label, such as: "Arnie Wilson spent the latter part of his life under the misapprehension that he made these skis. They were actually made by a K2 employee called Tom."

Arnie Wilson flew to Seattle as a guest of American Airlines and K2 skis

As They Say in Europe

British disease is catching on

It was another miserable week: self-flagellation took over where self-doubt left off and new realms of Euro-misery were revealed in the press. Ruling centre parties were again crushed by supposedly discredited opponents as the papers grimly acknowledged the errors of the past.

This time, though, I was often caught off balance. Sometimes, you need a phrase in a paper and then look again to see if it is the paper you thought it was. The fact is that everybody is suffering from a new form of the British disease.

One such example, a headline over an editorial, was: "Wanted: a new political class." I thought it must be the *Guardian* or the *Observer* in London, which run such items most days. But it was *Tagesspiegel* in Berlin.

Another came in a quotation from a trade union leader admitting to mistakes in the past: "The unions went along with the short-sightedness and greediness that almost became an ideal." Not the *Daily Mail* hanging on about the 1970s unrest but *Dagens Nyheter* of Stockholm quoting a union leader of the '80s.

So, Sweden is passing through an experience familiar to British readers while *Tagesspiegel* was sharing worries common to most German commentators about the resurrection of the eastern German communists, the PDS, in the Brandenburg elections. The resurrected Italian communists, also the PDS, emerged similarly triumphant, so now we have two leading members of the European Union haunted by ghosts from the past.

It is an experience, as I noted a couple of weeks ago, to which Europeans will have to get used. This should, in fact, be easy in spite of German attempts to whip up paranoia.

Communists were a danger when they acted as the agents of an outside power, or as a gathering point for domestic totalitarians with utopian and transcendental tendencies. Today, communist parties merely fill the gap left by the disappearance of socialist parties.

Each country invents its own reasons for extreme forms of anxiety - the surge of the far left or, even worse, the far right. Humiliating departures from the World Cup. When old chickens come home to roost, to coin a phrase. If one's own nation has been defeated, another must have won.

Nevertheless, it was still a surprise to come across a third striking pronouncement of the week, this time in *Nice Matin*. It told readers: "France will be weak in Europe because it has not been able, in these past few years, to enforce its conception, against that of Britain, of an integrated Europe capable of constituting a real commercial power which could stand up to the United States and Japan."

"Twenty years after having entered the Common Market and having left Efta, which it had created, Britain will have achieved its aim: Europe should be nothing more than a free trade area without the ability to integrate and unify its interests and without its own methods of self-defence."

This was predicated on there being what the paper called a "bad Gatt agreement" which, when translated, means any agreement that seems likely to be achieved at this stage.

France sees itself as a defeated nation, and no amount of shouting by ministers about their trade triumphs serves to diminish the country's self-contempt. But some of the old spirit is still there: one always

When old chickens come home to roost, the grass often looks greener elsewhere

enjoys the blithe assumption of the French that their interests coincide exactly with those of Europe. Imagine *Nice Matin*, or anybody else in France, admitting the fundamental truth that it would be in Europe's interest to eliminate French farming as a significant political force.

With any luck, this weekend could be the last that we shall have to concern ourselves with the minutiae of the Uruguay Round and international trade policy. It is the moment when the future of the world economy hangs in the balance (I believe that is the appropriate cliché) in Geneva.

And as its leaders are locked in fateful conclave in Brussels, western Europe looks to the future with trepidation.

Fortunately, at this time, I have available a commentary from the daily paper that obviously should have been recognised earlier as the bellwether of European opinion, the *Luxemburger Wort* (which is, symbolically, two-thirds German, 30 per cent French and 3 per cent native). Luxembourg's top commentator wrote that the crushing of Christian Democracy and PDS victories in Brandenburg and Italy proved that "excessively rapid trade liberalisation would destroy jobs and social benefits... In the two cases, the Asiatic challenge has fed fear of the future."

This should be taken seriously, for the *Wort* is not a paper given to overstatement. On the same day, its splash headline was: "Gatt talks more difficult than expected."

James Morgan

James Morgan is economics correspondent of the BBC World Service.

All the power to the president

The Russian people vote tomorrow on a draft constitution. John Lloyd looks at the implications

A draft constitution goes before the Russian people tomorrow. It is a document which might not shake the world, but it will form a vital part of its stability because of Russia's importance and fragility.

Its adoption by the people and its acceptance by the Russian political class would sustain and enlarge the still fragile area of democratic practice.

But its rejection, either because a majority of those voting are against it or because the required 50 per cent of the electorate do not turn out, could usher in a period in which institutions have no base and a division of powers cannot develop because all formal political power remains monopolised by the president.

"Better vote for this imperfect document than have none," said Yegor Gaidar, leader of Choice of Russia, the leading liberal group, mustering a lukewarm endorsement for his president's draft. "We'd again find ourselves in the situation of legal chaos... where

everything depends on whom the defence ministry supports, on who has a pistol in their hands, on who, at the vital hour, can best organise their forces in Moscow."

Such a period could see the unravelling of a Russian power structure which, since the closure and suppression of the former Russian parliament in September and October, has been sustained by a presidency which is the source of all power but whose shaky legitimacy has depended on a promise to create a legislative chamber and a "law governed state" underpinned by a constitution in which the citizen can find rights and the politicians a role.

But there is a countervailing view, which has been powerfully put in the course of this campaign - although those who put it differ

on whether or not their objections to the constitution are greater in importance than the danger of chaos.

The document itself is one which would provide presidential powers greater than any other major democratic country, save perhaps France. The president's powers would lie in his ability to appoint the prime minister and approve the prime minister's choice of government - and to dissolve parliament if it failed to agree.

The president would appoint judges, top military and the chairman of the Central Bank - although most of these need parliamentary approval. And the powers would lie in his ability to call referenda, and, perhaps most threatening of all, in the clauses which gives the president the right to

issue decrees which need no oversight or approval by any other level of power - so long as they can be shown to be in accord with the constitution.

A less obvious danger lies, paradoxically, in the breadth and generosity of the articles on human and civil rights, on the entitlements each citizen would have, including the right to a job, to medical care, to support, even to clean air. The sheer scale of the promises reduce the document to a formality because they cannot be observed.

Perhaps the most popular criticism is that voiced by Stanislav Shatalin, the veteran radical economist that the final draft, drawn up by Yeltsin's tight circle of advisers and amended - it was said - up to the last minute by the President himself, was not approved by a con-

stituent assembly, or by the regional and republican leaders who had earlier participated in the constitutional discussions. Because of this, the argument runs, the constitution is not a framework for a great country's future democracy, but one for a particular president's immediate needs.

But it is in this aspect that the draft constitution is most like that of other major democratic states.

This point is strongly made by Professor Vladimir Tumanov, one of Russia's top judicial experts and one who took a part in the final drafting: "I don't agree with those who say that this is a 'transitional' document."

"All contemporary European constitutions were adopted in one way or another, in a 'transitional period' but they're still working

and after they were adopted they assisted stability."

An example: the Italian constitution, first drafted in 1946 immediately after the war and finally coming into force from January 1, 1948, has as its first words: "Italy is a democratic republic founded on labour." The wording reflects the power and the prestige of the two left-wing (anti-Fascist) parties at the time: the Italian Communist Party and the Italian Socialist Party. Yet, for all the stamp of the times, Italy for much of the post war period, has been ruled by a right of centre party.

It is to the US which most Russians look when they seek to compare themselves and in comparing constitutions they see at first a presidential constitution, and one enacted in times of conflict (with

the British).

But US specialists who have studied the Russian draft say the parallel doesn't hold: the US constitution was one in which the participating states reluctantly ceded powers to a weak centre. And the constitution is largely non-specific in the rights it grants, creating only a framework of permissiveness within which specific prohibitions are left to be defined by case law.

A central point, often obscured in the smoke of the Russian battle, is that the working of a constitution is less important - within certain boundaries - than the attitude of the authorities towards it.

Russia's politicians and its citizens are new to the democratic arena: they have experience only of decorative constitutions. They have witnessed a parliament destroyed, and the old Soviet era constitution torn up by a president who now asks for support for a new state law.

Will these citizens accept it tomorrow? And can these politicians make it work?

BOOKS

Wilde about Ada

Antony Curtis reviews a biography of the woman who rescued Oscar

When Oscar Wilde was released on bail before his trial for homosexual offences in 1895, one woman, at least, was waiting for him outside the courtroom, ready to risk her reputation in society on his behalf.

Wilde then needed help of the most practical kind, because the vindictive 8th Marquess of Queensberry made a point of ensuring that no hotel would take him in. The lady who rescued him was Ada Leverson, a writer whom Wilde had nicknamed his "wonderful Sphinx" on account of her enigmatic bon mots. From an intellectual liberal Jewish background, Ada Esther Beddington (as she was) had married Ernest Leverson, a prosperous businessman. When Wilde faced criminal proceedings at the Old Bailey in 1895, the Leversons were living in a large London house in Courtfield Gardens with their small daughter Violet.

After Mrs Leverson took the courageous decision that he should stay with her, she called her servants together and said that if anyone wished to leave during Wilde's residence in the house they were welcome to do so. No one did.

The nursery floor was then made over to Wilde as a refuge. She asked Oscar if he wished the toys, dolls, rocking-horse, to be removed. He said "No", and on the long conference with his lawyers surrounded by these reminders of childhood, Ada encouraged him to jump bail, foreseeing what the law's outcome would be. But Wilde refused to do this, just as he had refused to avoid the trial altogether by fleeing across the Channel.

When, after serving his two year sentence, he was released, early in the morning to avoid the press, Ada was among the little group of former friends who had risen at dawn to greet him. She later described the scene:

"He came in with the dignity of a king returning from exile. He came in talking, laughing, smoking a cigarette, with wavy hair and a flower in his button-hole, and he looked markedly better, slighter and younger than he had two years previously. His first words were, 'Sphinx, how marvellous of you to know exactly the right hat to wear at seven o'clock in the morning to meet a friend who has been away! You can't have got up, you must have sat up.'"

The group was a mutual admiration society whose other members included Robert Ross, More Adey, Reginald Turner, the Oscar loyalists who were to quarrel bitterly among themselves and with "Bosie" Douglas, the son of the Marquess, after Wilde's death. Other friends of Ada's included Robert Hichens, author of the satirical novel *The Green Carnation*, Aubrey Beardsley, Ronald Firbank, Max Beerbohm, Somerset Maugham. It was a society in which the great, the only, crime was failure to sparkle. Treachery was tolerated, but not dullness.

As such there was a great deal of

WONDERFUL SPHINX: THE BIOGRAPHY OF ADA LEVERSON
by Julie Speedie
Virago £17.99, 319 pages

frivolity that seems very unfunny today and a lot of plain silliness. It was the era of the Practical Joke, of hoaxes and disguises; they thought there was great humour in the spectacle of a man dressed up as a woman. The actor Brandon Thomas, who canonised this joke in his play *Charley's Aunt*, married Marguerite Leverson and became Ada's cousin by marriage and another friend.

Caricature and parody, those minor arts perfected by Beerbohm, were widely practised in the 1890s. It was, as this biography of Ada shows, primarily as a parodist in the pages of *Punch* that Ada first made her mark. She parodied Oscar there to his delight. Before she tried her hand at fiction she was earning a modest income as a literary journalist.

Serious newspapers lightened their pages with pieces of gossip and sketches of life in Society. We think of (Sir) Anthony Hope (Hawkins) only as the author of *The Prisoner of Zenda*, but in his day he was equally well known for "The Dolly Dialogues" in the *Westminster Gazette*. They were instalments of a long-running flirtatious exchange between a man who is a bachelor and the public Dolly Foster who at the end of it all marries a peer.

Ada wondered if in this kind of *nuance* dialogue, across the Channel the Comtesse de Martel de Janville had shown, under the pseudonym of "Gyp", that it could certainly be done with ease in



French. Her novels of Parisian society, written exclusively in dialogue, were like stage-plays in book-form, and were required reading among the English aristocracy of Edwardian England. You can still find complete sets of them in the libraries of some of the grander country houses.

Not only Ada but Ronald Firbank and Henry James responded to the challenge of writing dialogue-only novels. James following "the admirable Gyp" (as he called her) turned out a masterpiece of the genre, *The Awkward Age*. That was in 1898; it was in the first decade of the 20th century that Ada essayed this form and published six dialogue novels, from 1907 with *The Twelfth Hour* to 1916 with *Love at Second Sight*.

Intimate conversation between men and women full of sexual innu-

endo is her game. She included thinly disguised pen-portraits of her friends, but at their core the books represent urgent dispatches from the marital battle-front and news of the walking wounded. Her own experience of marriage had not been happy. Ernest had betrayed her many times with other women and by now had left her. He did, though, make provision for her in his will.

By general consent *Love at Second Sight* is her finest novel. It has been reassessed by Virago with the two earlier ones, *Love's Shadow* and *Tenderhooks* containing the same central characters. All three are published in one volume as *The Little Otleties* with an introduction by Nicola Beauman.

Ada the novelist is not to everyone's taste but if you once fall for

her understated conversational manner you become completely hooked. Colin MacInnes, one of her most zealous admirers, led the current revival. There is an earlier family biography by her daughter Violet Wyndham, a memoir by her grandson Francis Wyndham, and section on her in Osbert Sitwell's *Notable Essences*.

After the war it was the Sitwells who replaced the Wilde circle as the centre of her social life. Julie Speedie's book is subtitled "the biography of Ada Leverson"; it might have been more accurate to have described it as "a biography" because though it is very thoroughly researched and informative, it seems possible there could be another, more at ease with its heroine's taste but if you once fall for

as a barn door - which admittedly a lot of them are. We have certainly been beset by nostrums - and many of them, and especially the lurches from one to another, have done us a lot of harm. So, on the principle that my enemy's enemy is my friend, much in this book is to be welcomed.

But much of it, sadly, is pretty mushy. A large cast of little known economists is cited in evidence against a lot of other scarcely better known ones, in conversations recalled from long-forgotten conferences held over the decades in outstanding American beauty spots. Malabre's own view emerges as one of extreme pragmatism: in particular, that the business cycle is rather like the weather - nothing can be done about it. This may be true, but the trouble is that he then cannot resist giving us his own methods of forecasting, on the basis of interviews with businessmen. He creates a whole theory of the business cycle from what he says he used to learn at the annual conferences of consumer goods salesmen. A glance at his CV, however, shows that he only attended three of them. A smallish sample.

included a top personal tax rate of 96 per cent; bureaucratic controls on prices, wages, dividends and foreign exchange transactions; nationalisation of broad swathes of industry; and an array of special legal privileges for trade unions.

The more toward greater reliance on market forces was a global phenomenon. In the past decade most industrial countries have pursued policies broadly similar to Britain's. The drive to reduce the growth of public spending was global as was the focus on improving incentives by cutting tax rates and deregulating industries. If Labour had retained power, it too would have pursued these policies; indeed much of Thatcherism was merely an embellishment of policies initiated by Denis Healey in the late 1970s.

Stewart's philosophical arguments are sadly misguided. Keynes's theories were undoubtedly ingenious. But it is by no means clear that they amounted to a convincing refutation of classical economics. Fiscal policy can be important on occasion, but over the long haul individuals' propensity to work and save, and their willingness to embrace necessary economic change, are far more important determinants of growth.

Few recent books have poked more effectively at Conservative chancellors but, coming from an economics don at London University, it is irresponsibly one-sided.

Michael Prowse

Fiction

Innocence burnt at the stake

J.D.F. Jones admires this award winning historical novel

A chimera, says the dictionary, with acknowledgement to Greek mythology, is "a fantastic or grotesque product of the imagination: a bogey". Sebastiano Vassalli has chosen this title for his novel about a young peasant girl of early 17th-century Italy whose fate was to be selected by the Counter-Reformation church as a witch and burnt at the stake. *The Chimera* has won the Strega Prize (*strega* happens to mean "witch") and now appears in a fluent English translation by Patrick Creagh.

The historical novel, when ambitiously intended, is often framed in some sort of modern-day device.

Vassalli takes his perspective from the Milan-Turin *autostrada*, where his village of Zardino on the misty plain near Novara is "slightly to the left and a little beyond the second flyover" against the panorama of the Monte Rosa. He claims to have stumbled on the story of Antonia, an episode that would otherwise have been lost for ever: "Looking out over this landscape, the nothingness of it, it came to me that in the present there is no story worth telling. The present is hubbub... To find the key to the present, and to understand it, we have to withdraw from the hubbub, to descend to... the depths of nothingness... to the ghost-village of Zardino, to the story of Antonia..."

Having got this prebentious stuff off his chest in, thankfully, just a couple of pages, Vassalli gives us a fascinating tale, a minutely-imagined novel about the underside of history, by which I mean the parts that historians never seem to reach.

Antonia is a founding, adopted by kindly peasant farmers, whose adolescent beauty in this pestilential landscape is so striking that it persuades both the "Village Gossips" and the fanatical post-Reformation clergy that she must be the work of the Devil. The point is that "witches" in most cases were not bags or old women, on the contrary, Antonia, who is a simple and innocent girl, notorious only for being used as a model for the Madonna by the painter Bertolino, is to be destroyed by the rumour-mongering, and in consequence the hatred, of a primitive society.

The Counter-Reformation, and therefore the Inquisition, is in full flood. We are shown the distinguished local bishop, a passionate follower of Borromeo, whose radical

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Harvill £15.99, 315 pages

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ARTS

Light enough to take to bed

Art books need not break either your arm or your bank balance, says Patricia Morison

At Christmas, we do things that we never - well hardly ever - do during the rest of the year. Such as giving each other lavish art-books. Here are my recommendations of recent ones which I have found stimulating and readable, on subjects ranging from felines in Ancient Egypt to the intimacy of Jasper Johns and Robert Rauschenberg.

In the case of art-books, readability is in large part a function of size. My own limit for comfortable reading in bed is two kilos, which is still considerably too heavy for reading on a plane. Publishers should think harder about the trade-off between glamour and portability. A book like Jeffrey Ruda's pleasantly written monograph on Filippo Lippi (Phaidon; £95.00, 560pp) is arm-breakingly beautiful at over three kilos. The fault is not the writer's prolixity, but the flashy and wasteful design.

At the opposite extreme, modest yet good art-books can cost as little as a tanner. Thames and Hudson's venerable World of Art paperback series costs only £5.95 as does its wallet-sized New Horizons series, which has serious texts and masses of remark-

ably good and often unusual images. Van Gogh, Rembrandt, The Asters and others would make ideal stocking-fillers. So, too, would the British Museum Press's attractive series on Medieval Craftsmen and Eastern Art (£6.95 and £9.95).

Sharon Fennor's *Piero di Cosimo: Fiction, Invention and "Fantasia"* (Reaktion Books 226pp, £28) is lucid and absorbing, a book for anyone who wants to understand better the nature of the Renaissance in Florence. Piero, painter of the famous "Forest Fire" in Oxford, was found dead at the foot of a staircase in 1521. In all the books he is characterised as an odd-ball, an interpretation which rests wholly on Vasari's biography.

The wild garden had yet to be invented in Renaissance Florence, yet here was a man who never pruned or hoed, but just let everything grow wild. He lived off hard-boiled eggs, cooking (but not eating) 50 at a time. Piero di Cosimo, as vividly presented by Vasari, was as anti-social and bestial as Leonardo da Vinci was courtly and refined.

These days, art-historians are disinclined to take Vasari literally, and Fennor shows that his life of Piero was written as a cautionary tale.

Vasari granted that the misanthrope had great gifts, particularly imagination, or *fantasia*, in which respect he was like Leonardo who could also see pictures in gobs of spit on a wall. But Piero's relative failure spelled a moral dear to Vasari's heart: artists who wanted to get on had to be urbane and sociable.

Fennor sheds light on the meaning of many of Piero's paintings, attractively reproduced. The bare-breasted portrait said to be *Simonetta Vesputi* is, in fact, a highly erotic Cleopatra. The National Gallery's much-discussed scene is firmly identified as "The Death of Procris" (below), painted according to a contemporary play. Procris was accidentally slain as a result of her sexual jealousy. Piero's version is dreamy rather than tragic, because in the play Procris is restored to life. Fennor thinks that this edifying tale was just the sort of thing a Florentine would have wanted in the nuptial chamber.

Another enjoyable monograph is *Judith Leyster, A Dutch Master and Her World*, by James W. and Peter Siebels (Fale; 591pp, £45). This year marked the centenary of the rediscovery of Leyster (1633-60), the Haarlem genre painter who is the second most

famous female Old Master after Artemisia Gentileschi. Yet Leyster's success as an independent artist is in a sense more remarkable because she was not the daughter of an artist. The book, which is in fact an exhibition catalogue, presents a well-written and stimulating picture of Leyster's place among artists of the Dutch Golden Age.

John Gage's *Colour and Culture: Practice and Meaning from Antiquity to Abstraction* (Thames and Hudson; 335pp, £38.00) is a remarkable achievement. It would appeal *inter alia* to scientists, gardeners, psychologists and designers. Gage explores the vast, limitlessly fascinating subject of Western man's attempts to grasp the elusive nature of colour. Beautifully illustrated and massively learned, this weighty book requires concentration but the effort is amply rewarded.

I second my colleague Colin Amery's praise for Timothy Mowl's *Elizabethan and Jacobean Style* (Phaidon; 240pp, £29.95), a fitting polemic which sees Inigo Jones as tantamount to a national disaster. For just the one chapter on how Great Halls of houses like Hardwick were used as theatres, this book would justify its cost. More temperate appreciation of English

style comes in Charles Saumarez Smith's *Eighteenth-century Decoration* (Weidenfeld and Nicolson; 406pp, £30), a splendid guide to the look of homes from cottages to castles.

Another book I will often be turning to over the years is Nicholas Penny's *The Materials of Sculpture* (Yale; 318pp, £35.00). Looking at sculpture and carved ornament, how well do we appreciate the challenges which the materials posed their makers? Penny picks and chooses from the art of East and West, helped with sumptuous illustrations. He writes with exemplary clarity.

Lastly, two highly readable books on over-worked subjects, cats and love. The world is crawling with cat-lovers whose horizons will surely be expanded by Jaromir Malek's fascinating book, *The Cat in Ancient Egypt* (British Museum Press; 144pp, £14.95). This is a lovely book, written so simply that a child could follow it. As for the passion of Jasper and Robert, it and other literary and artistic pairings such as Bell and Grant, Jackson and Krasner, are chewed over in *Significant Others: Creativity and Intimate Partnerships* edited by Whitney Chadwick (Thames and Hudson; 256pp, £14.95).



The National Gallery's painting by Piero di Cosimo, which has been identified by Sharon Fennor as 'The Death of Procris', after a contemporary play about sexual jealousy

In search of the next Tolstoy

Among the many literary jokes of Danil Kharm, the famous Russian absurdist, there was one concerned with the present state of Russian literature. In it Pushkin sits in his study and thinks: "I am a genius - fair enough. Gogol is a genius too. But Tolstoy is a genius as well, you know, and Dostoevsky is a genius. God, when will it all end?" And then it all ends.

The Booker's establishment of a special Russian Novel Prize seems to refute the Russian absurdist, suggesting that the great Russian novel maintains its tradition of excellence. In establishing the prize, the Booker pursued two aims: first, to help writers whose work could earn little money in Russia's present financial circumstances; secondly, to draw the attention of British publishers to contemporary Russian literature.

The author of this year's best Russian novel will receive £10,000. From the nominated 38 novels there is a shortlist of five. These are Victor Astafyev's *The Cursed and the Dead*, Semyon Lipkin's *Notes of a Lodger*, Vladimir Makannin's *A Battered Table With a Carafe in the Middle*, Lyudmila Ulitskaya's *Sonchka* and Oleg Ermakov's *Sign of the Beast*.

Vladimir Makannin, 56, is well known to the Russian intelli-

gentia and belongs to the generation of writers defined by Russian critics as the "40-year-olds". Makannin was 40 in 1977: the nickname describes not his age, but rather the age of his character. The 1970s, a time of profound stagnation in Soviet society, produced a particular Soviet type: average, faceless, a grey mass, characterless like the thousands of identical faces intended for "identical" Soviet people.

The English reader used to struggling with unpronounceable Russian names may relax with Makannin. His characters do not have personal names. The impersonal "he" substitutes for the name of the central character. "He" has nightmares of a similarly impersonal symbol-covered table, a powerful symbol of the communist court. Makannin dissects the Soviet system and its mentality like a skilled anatomist. He describes brilliantly the mechanisms of suppression and depicts the types of communist prosecutors who take part in this nightmare-trial.

The final scene, in which his character challenges the monstrous table and dies from its touch, is reminiscent of the famous Pushkin poem *The*

Bronze Horseman where the protagonist challenges the menacing statue of Peter the Great. Written in Kafkaesque style, Makannin's novel becomes a startling portrait of Homo Sovieticus.

Although almost the same age as Makannin, Lyudmila Ulitskaya, 55, writes in an entirely different style. Her short novel *Sonchka* describes the life of a fragile, all-forgiving woman, Sonya, who lives with her hus-

band and daughter in a communal flat in post-war Moscow. The quiet and happy life of her family is interrupted by the appearance of a young orphan-prostitute, whom her daughter brings home from school. And even though Sonya's husband, a painter, has an affair with this new "member" of the family, tolerant Sonya forgives everybody and loves everyone all the same. Saccharine and sentimental, filled with nostalgia, the novel carries a simple, unoriginal message: that a person can preserve himself no matter what is happening in the outside world.

Arkady Ostrovsky looks at the five books on the shortlist for the second Booker Russian Novel Prize

When in the 1970s Semyon Lipkin, 52, finished his *Notes of a Lodger*, he must have had

little hope of ever seeing it published in Russia. Lipkin was mostly known as a poet and translator. In the late 1970s he joined the famous literary almanac *Metropol*, which was soon shut down by the communist party. After that, he was no longer published in the Soviet Union.

Born into a Jewish family in Odessa in 1911, Lipkin had experienced most of the events described in his book: civil

war, Czarist pogroms, Bolshevik pogroms, the Jewish ghetto, the second world war. The genre is best described by its title: "Notes". The novel is rather unstructured, but contains a series of vivid scenes of life in Odessa, where Jews, Russians and Ukrainians all live together. There is a bewildering array of characters.

The whole period of Russian history from 1917 to the 1980s is shown through the eyes of scientist Michael Lorenz, who at times has a striking affinity with Pasternak's Doctor Zhivago. Had the novel been published in the 1970s, when it was originally written, it would have had an explosive effect, revealing some of the most

secret sides of Soviet history. But it has missed its ideal date of publication; it is now like an old coat which one loves, but would no longer wear.

"O Russian people, how open and forgiving your heart is! You can touch it with your hands under a coat, feel its anxious beating with your palm, feel its trustful warmth."

This hymn to an open yet mysterious Russian soul, with its touching admiration of the "saintly" Russians runs through the whole of Victor Astafyev's *The Cursed and the Dead*. To be fair, there are a few characters in the book who are not strong Siberian boys, but Armenians and Kazakhs. Yet they are there not for their own sakes; they appear simply to show the generosity of Russian people. In a multinational country where "Russian", "Armenian", "Jew" indicate not nationality or citizenship, but an ethnic affiliation, this sentence carries unpleasant nationalistic connotations. Astafyev, 69, represents the so-called "country prose", a genre which appeared in the post-war period and which sympathetically describes Russian rural life.

The Cursed and the Dead is set during the second world war on the Russian home front where young Siberian soldiers die not under the German fire, but in the Gulag's regime. A good craftsman, Astafyev knows how to keep the reader

Out of tune with its clients

The Arts Council deserves no sympathy for the mess it has got itself into over the funding of the London orchestras. It was a ludicrous dereliction of duty to ask an outsider, Sir Leonard Hoffmann, to decide which of the three orchestras should continue to receive Council money. What on earth is the music panel for?

So there is general satisfaction that Hoffmann has come up with a report that is obviously poison to many at the Council. His decision (on the vote of only two members of a five man committee) that the Philharmonia is marginally more deserving than the LPO totally upsets the apple cart. According to the Council's plan, the LPO was to get the vote, confirming its position as house orchestra at the South Bank, and a counter to the LSO at the Barbican. The Philharmonia and the RPO were to be left to their own, free market, devices. And the Arts Council would save money.

That is the root of the problem. It is yet another example of the Arts Council's unresolved battle as to whether its role is to fight for the arts, or to give the government better value for its subsidy. There is a case to be made for funding a super orchestra: such a case explodes if it is a by-product of a scam to save money.

It is a carbon copy of the season the Council cut itself into during the summer over its decision to cut funding to ten regional theatres. Once again the theory was respectable. Faced with the probability of a grant cut the Council took itself off to Woodstock to work out priorities, to back winners. For some bizarre reason it decided that modern dance and the visual arts (the two weakest sectors of its empire, with minimal popular or media support) should get cash at the expense of popular local theatres. In the face of an outcry, not least from its own drama panel, it changed its mind, and a long, immeasurable face.

From then on the Council has become an Aunt Sally, allowing the media to question its existence - and the position of its managers. The chairman Lord Palumbo goes in April, which looks fortuitous; his successor can be a new broom, untainted by the past. But new secretary general Anthony Everitt is vulnerable. His contract expires in the autumn and few would bet on a renewal.

Yet the whole sorry saga is predictable and goes back to the appointment of Palumbo five years ago. He was given secret orders by the government to slim down the Council (saving money again), and to hand over the decisions on funding arts companies to a network of regional arts boards. Once the Council had abdicated most of its powers it had to find a role to justify its existence. Hence the chase after initiatives, all of which, from the bland and binned strategy for the arts document which emerged earlier this year to the theatre and orchestral debates, have ended in tears.

The final humiliation is that the government has reneged on its part of the bargain. It has handed the Council to make even more cuts in its budget than was reasonable, demanding an extra £600,000 in savings next year. It then put the boot in on November

30 by cutting the Council's grant for next year by £3.2m. This has proved especially humiliating because the National Heritage Secretary, Peter Brooke, actually secured a reasonable £21m increase in his total budget and could easily have given the Council a stand-still grant. On Wednesday the Scottish Office did just that for the Scottish Arts Council.

All we need now is stories of bureaucratic extravagance in the regional arts boards after they get their heady new powers in April and the whole sorry story will be complete. The arms length principle of arts funding will be deemed to have failed and those in the Heritage Department who want to do away with the Council altogether will be in position to strike. Think of how much fun the civil servants, and ministers, will have in deciding just how much subsidy to hand out to theatrical companies, like Covent Garden and the RSC, which will fall under their power.

That everything in the arts

The Arts Council has got itself into a sorry mess, says Antony Thornecroft

is now back on the agenda is suggested by the delay in finding a successor for Lord Palumbo. Obviously anyone approached will want to know what, if anything, the job entails. Peter Brooke now has three choices. He can delay an appointment into the late spring and then give someone the task of winding up the Council. He can choose one of the great and the good - Sir Ernest Hall comes to mind - to go in there to smack heads, ease out dead wood, and build up confidence, assisted by the fact that the Council will soon have the task of distributing around £70m a year of Lottery money around the arts. Or Brooke can merge the jobs of unpaid chairman and salaried secretary general into one, putting in a proven administrator, like John Tusa, as a powerful chief executive. This is what happens at the National Endowment for the Arts in the US.

Through its indecisiveness the Council has brought its very existence into doubt. What can it do now? On Wednesday it announced its grants for 1994-95 and will probably share the misery of reduced funding equally among the nation's arts companies. But by then it will also have to respond to Hoffmann. It will be terribly embarrassing if it rejects the Hoffmann findings. But if it accepts them where does this leave the LPO, only two years into a five year contract as the house orchestra of the South Bank, a residency pushed through, with money and encouragement by the Council? The LPO currently gets over £1.1m a year in subsidy. Hoffmann allocates it £700,000, insufficient to allow it to fulfill its programme. With more money somehow, the orchestras could be satisfied. But money is the one thing in short supply at the Arts Council. Peter Brooke, a professed believer in the arms length principle, has seen to that. Some arms are shorter than others.

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ART GALLERIES

W1 MARLBOROUGH FINE ART 6 Albemarle St. W1. 071-480 9161. NEW ART FROM CHINA. POST 1980. Until 12 February. Mon-Fri 10-5.30. Sat 10-12.30.

SPINK, KING STREET, ST JAMES'S, SW1 6-17 December. RARE KOREAN CERAMICS OF THE YI DYNASTY. Mon-Fri, 9am-6.30pm. Tues until 7.30pm.

LEFEVRE GALLERY 30 Bruton St. W1. 071-480 2107. Costume designs by EDWARD BURRA. 8-21 December. Mon-Fri 10-5pm.

ROYAL INSTITUTE OF OIL PAINTERS ANNUAL EXHIBITION A varied exhibition devoted exclusively to works in oils. Most works are for sale. 8-22 December 1993. 10am - 5pm daily (Sat. 10am - 4pm). The Institute, 100, Pall Mall, London SW1. Tel: 071 230 8844.

Radio/B.A. Young

Alien settings

The long evenings have given useful space for imaginative drama, and this week has by chance produced pieces with an assortment of alien settings. It also happens that on Radio 3 there was a series of four talks by Robert Wisrich, Professor of Jewish Studies at University College, London, on *The Revival of Nationalism*. Only one of the plays I heard had any touch of nationalism in it (and that not serious), but it was good to be reminded of foreign cultures.

The Sunday play on Radio 3 continued its Polish season with *Marriage Blanc* by Tadusz Roszewicz, translated by Adam Cerniawski. Its 16-year-old heroine, Bianca, is unhappy about the marriage to Benjamin arranged for her, and a lot of the play consists of her talk with her friend Pauline. We learn that she wanted to be a boy, that her mother and father never loved each other, that she thinks her grandfather "unclean". Much varied sex goes on among family and servants, including Bianca's "dream" affair with Saint Nicholas, one of several sex-oriented dreams. Pauline

explains the facts of life, and Bianca swears she will have a *marriage blanc*. To make sure of it, she cuts her hair like a boy's before the first night, and as she enters the marital bedroom she asks Benjamin to consider her as his brother.

There are moments of deep understanding between the girls, and the play was originally condemned as pornographic. There is indeed much straightforward talk, dodgy at Sunday's 7.30 to 9.00 timing. I was not much impressed by the playing under Kate Rowland's direction.

More *blancs* in Radio 4's Monday Play Lorraine Hansberry's posthumous *Les Blancs*. Hansberry came from prosperous black folks in Chicago and was seriously concerned with the advancement of coloured people. This play, however, is about Central Africa under the threat of revolt, a different matter altogether, and she

seems only to have read about such things in books. Her African village is not convincing, especially as she has added to the indigenous company the staff of a medical mission, a liberal American reporter, a military officer who treats the Africans as peasants, and a quasi-Western member of the central family, Tshabe (Leo Wringer), who likes to be called "Mr Matoseh". The story concerns his problem - to join a revolt in which his relations are involved, or to go back to his textile business. There is some sinister gunfire, but few casualties. Heather Goodman was the director.

We go still further afield on the World Service, with its version of *Dr Strangelove* in an adaptation by Kerry Shale. It comes in two parts, the first last Sunday, the next tomorrow. Shale also plays some of the characters, eight of them - five of the crew of the Ameri-

can B53 that precipitates the end of the world by bombing Russia; the Presidents of the USA and Russia; the RAF officer attached to the USAF; and Dr Strangelove himself, a quite small part so much distorted vocally that it is hard to understand. The mutual antagonism of the nations is, one hopes, as much a matter of history as their post-nuclear weaponry; at any rate the total destruction of life involved in Russia's "Doomsday Machine" is no longer as threatening as novelist Peter George left it. It may be that to treat national enmity as a source of laughter is the best idea.

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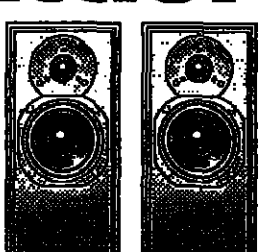
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TELEVISION

SATURDAY

BBC1
7.00 Lesia, 7.25 News, 7.30 Mythical Magical Christmas, 7.45 Puff, the Cat, 7.55 Peter Pan and the Pirates, 8.15 Madeline Marlowe Investigates, 8.30 Tom and Jerry's Greatest Hits, 9.00 Live and Laughs.

12.15 Weather.
12.15 Grandstand, introduced by Steve Rider including 12.20 Football Focus: A look ahead to the weekend's FA Premier League action, 12.40 Racing from Cheltenham, 12.45 Bonaparte Novices Chase, 12.55 Skating: The Men's Downhill Championship from Val d'Isere in France, 1.10 News, 1.15 Racing: The 12.00 Mile Hurdle Race, 1.30 Ice Skating: The British Figure Skating Championships from Basingstoke, 1.50 Racing: The 1.50 Mile Hurdle Race, 2.05 Ice Skating: 2.25 Racing: The 2.20 Mile Hurdle Race, 2.40 Rallycross: The British Grand Prix from Brands Hatch, 2.55 Rugby League: St Helens v Warrington in the third round of the Royal Trophy from Knowsley Road, 3.45 Football Half-Time, 3.55 Rugby League, 4.35 Final Score. Times may vary.

5.15 News.
5.25 Happy Families.
5.35 The Army. The platoon's van breaks down on a deserted road, forcing Captain's driving and his hapless crew to spend the night in a spooky old house.

6.45 Noel's House Party. Actor Keith Barron makes a guest appearance, as does Su Pollard, as the O'Carroll, and England rugby star Rob Andrew Greaves a Grand.

7.45 Big Break.
8.15 The Accident. A melancholy mood descends on the Accident and Emergency Department as Duffy starts her last shift - a sadness deepened when the pregnant nurse has to comfort the mother of a lost baby.

8.05 Harry. The champagne flows as the heartless hack celebrates a journalistic coup over Fleet Street. Michael Elphick and Susan Marston star.

8.55 News and Sport: Weather.
10.15 Match of the Day. Highlights from two FA Premier League matches, plus the goals, news and views from the rest of the day's fixtures.

11.15 Film: The Carpenters. Melodrama following the schemes of a wealthy young heir striving for power in Hollywood. George Peppard and Carroll O'Connor star (1964).

14.00 Weather.
1.45 Close.

BBC2
8.00 Open University, 8.25 Macgregor's Scotland, 10.25 Chooz Kinney, English subtitles, 11.05 News East, 11.25 Channel 4, English subtitles.

12.15 Film: Body and Soul. Boxing drama, starring John Garfield as a young fighter corrupted on his way to the world title. With Lili Palmer and Hazel Brooke (1947).

1.55 Neighbours. Light-hearted look at life in an apartment block in Haverhill, Massachusetts. Light-hearted look at life in an apartment block in Haverhill, Massachusetts.

2.10 Civilization. Sir Kenneth Clark discusses how the intellectual elite of 18th century Europe rejected religion and authoritarianism in favour of tolerance and reason.

3.05 Film: Far from the Madding Crowd. A beautiful young landowner (Julie Christie) falls for a handsome but penniless soldier (John Gielgud).

6.45 Late Again. Highlights from last week's Late Shows.

6.50 Sunday. Weekly look at the work of performance artists.

7.15 The Great Depression. In the 1930s depression in the US racial violence increased. Lynchings of black activists went unopposed, and mob violence and prejudice became the order of the day. While the Federal government tried to ignore the plight of European Jews, leading political and sporting figures, such as Eleanor Roosevelt and heavyweight champion Joe Louis, began to challenge the US to live up to its promise of justice and opportunity for all.

8.10 Performance: The Changing. Bob Hoskins returns to the small screen, starring alongside Elizabeth McGovern and Leslie Phillips. In this adaptation of the classic Jacobean play by Thomas Middleton and William Rowley, a young bride-to-be falls for another man days before her arranged wedding, and takes drastic measures to resolve the situation, entangling her cruel servant in a murderous web of treachery and deceit.

8.40 Have I Got News for You. Chaired by Anne Dwyer.

10.10 Film: Best of the Best. Police drama, starring Brian Dennehy, James Woods and Victoria Tennant (1987).

11.40 The Passing. Bill Viola's semi-abstract film showing a sequence of black and white images of barren desert landscapes and a disturbing underwater world.

12.40 Tennis: The Grand Slam Cup. Final match from Munich.

2.15 Close.

LWT
8.00 GMTV, 8.25 What's Up Doc? 11.30 The ITV Chart Show, 12.30 pm Movies, Games and Videos.

1.00 ITN News: Weather.
1.10 London Today: Weather.
1.10 Film: It's All Happening. A talent scout helps to save an orphanage and becomes a star in the process.

3.00 Musical comedy, starring Tommy Steele and Angela Douglas (1963).

4.00 NBA Basketball. The game of the week, and highlights from the rest of the league.

4.40 ITN News and Results: Weather.
4.50 London Tonight and Sport.

5.15 Cartoon Time.
5.25 Catchphrase. Contestants solve computerised puzzles.

5.55 Gladiators. Jean Kunk from Leeds, Paula Bishop from Devon, Denise Hart from Kidderminster and Dorset's Philip Norman challenge the super-fit warriors in the first semi-final. Presented by Ulrika Jonsson and John Fashanu, from Birmingham's National Indoor Arena.

6.55 Blind Date. Clive Black plays cupid to more would-be romantics.

7.55 Murder, She Wrote. An ex-convict arrives back in his home town after a three-year prison sentence, and immediately comes under suspicion of a gruesome double murder. Can Jessica Fletcher, the real killer and ensure that justice is done? Starring Angela Lansbury, William Windom, Susan Abbott and Ron Masak.

8.50 ITN News: Weather.
8.55 London Weather.

9.05 The Bill. Sun Hill officers are alerted when a convict helps his parole to escape at night at home.

9.35 Film: The Velvet Underground. A former CIA agent reveals a secret past to his son when he flies out to Paris to trace his kidnapped wife. Thriller, starring Gene Hackman, Matt Dillon, Josef Sommer and Guy Boyd (1985).

11.45 Film: Repossessed. Premiere. A suburban housewife (Linda Blair) is possessed by a TV demon and a retired priest is called upon to exorcise it - on national television. Horror spoof of the Exorcist, also starring Leslie Nielsen and Ned Beatty (1990).

1.20 Pro-Box Classics.
2.20 The Big E: ITN News Headlines.
3.15 Travel Trade.
3.20 The Big E: ITN News Headlines.
5.40 European Nine-Ball Pool Masters.
6.50 BPM: Night Shift.

CHANNEL4
5.00 4-Tel on View, 6.00 Early Morning, 8.45 The American Football Big Match, 11.00 Gazzetta Football Italia, 12.00 The Lighthouse, 12.30 pm Safe TV.

1.00 Film: Our Girl Friday. British comedy, starring Joan Collins, George Cole and Kenneth More. Collins plays the only female survivor of a shipwreck, stranded on a desert island with a group of love-hungry men. With Hattie Jacques (1941).

2.25 Film: A Night to Remember. Dramatic reconstruction of the sinking of the Titanic. Starring Kenneth More, Honor Blackman and David MacLennan (1958).

4.40 Out Out for Love. Musical comedy short about out-of-control figures coming to life.

5.05 Brookside.
5.30 Right to Reply. Viewers deliver their verdicts on recent TV programmes.

7.00 A Week in Politics. Vincent Hanna and Andrew Ramsay review the week's developments; News Summary.

8.00 Four-Medians. Profile of the late Dame Jack Jones, who discusses her life and career in this interview recorded shortly before her death last year's Eve.

8.30 Whose Line is it Anyway? Another selection of improvised comedy sketches.

9.00 Brides of Christ. Sister Paul (Lisa Hensley) falls for a radical ex-priest when she leaves the convent to attend a family wedding. Drama, also starring Brenda Fricker and Simon Burke.

10.00 Pearl Slowsly and Sees An Evening with the Velvet Underground. Debbie Harry introduces programmes celebrating the influential 1960s band.

10.10 Curious: The Velvet Underground. Footage of the group's European tour last year, including coverage of the last to Prague.

11.10 The Band's Last Party. Film of the band's three Paris concerts in June, featuring such acts as Heroin, Venus in Fur and Fanny.

12.05 Coyote.
12.15 The Chelsea Girls. Introduction.

12.30 Film: The Chelsea Girls. Premiere. Andy Warhol's surreal home movie which examines the lives and activities of a bizarre group of misfits living in New York's Chelsea Hotel (1967).

4.20 Songs for Drella.
5.20 The Big E: ITN News Headlines.
5.40 Sunday Morning.
6.50 Close.

REGIONS
ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:
ANGLIA: 1.05 Grange News, 1.10 The Littlest Hobo, 1.25 COPS, 2.05 Murder One (1993), 3.45 Knight Rider, 4.55 Anglia News and Sport, 5.00 Anglia Weather.

BORDER: 1.05 Border News, 1.10 Marriage is a Private Affair, (1944) 3.15 On the Grid, 3.45 Out of Limits, 3.55 Superstars of Wrestling, 4.55 Border News and Weather, 5.05 Sports Results.

CENTRAL: 1.05 America's Top 10, 1.25 Central News, 1.10 Bugt Bunny, 1.20 COPS, 1.45 Movers, 1.55 Movers and Shakers, 2.15 Knight Rider, 2.30 The A-Team, 2.55 Central News, 3.00 The Central Match - Goals Extra, 3.00 Local Weather.

CHANNEL: 1.05 Channel Daily, 1.10 Sell the World, 1.40 NBA Basketball, 2.40 The A-Team, 3.40 Cannon, 4.55 Channel News, 5.00 Puffin's Patch.

CUMBRIA: 1.05 Grampian Headlines, 1.10 Telefax, 1.40 Haggis Agus, 2.10 Grampian 2nd Agus on the Zone, 2.35 Tom's Tom's, 2.45 The A-Team, 3.40 WCHW Weekend Wrestling, 4.55 Grampian Headlines, 5.00 Grampian News Review, 5.00 Grampian Weather.

GRANDAD: 1.05 Grampian News, 1.10 Marriage is a Private Affair, (1944) 3.15 On the Grid, 3.45 Out of Limits, 3.55 Superstars of Wrestling, 4.55 Grampian News, 5.00 Grampian Extra, 5.05 Grampian News, 5.00 Grampian Weather.

HTV: 1.05 No Naked Flames, 1.25 HTV News, 1.10 Sell the World, 1.40 Cartoon Time, 1.55 The Cops and Rob, (1974) 3.45 Baywatch, 4.55 HTV News, 5.00 HTV News, 5.05 HTV News.

ITV: 1.05 Mervyn's, 1.10 Sell the World, 1.40 NBA Basketball, 2.40 The A-Team, 3.40 Cannon, 4.55 Channel News, 5.00 Puffin's Patch.

SCOTLAND: 1.05 Scotland Today, 1.10 Telefax, 1.40 Haggis Agus, 2.10 Grampian 2nd Agus on the Zone, 2.35 Tom's Tom's, 2.45 The A-Team, 3.40 WCHW Weekend Wrestling, 4.55 Grampian Headlines, 5.00 Grampian News Review, 5.00 Grampian Weather.

TELE: 1.05 Times News, 1.10 The Munders Today, 1.25 Wasted: Dead or Alive, 2.05 An Alligator Named Daisy, (1955) 3.45 Baywatch, 4.55 Times Saturday.

ULSTER: 1.05 Ulster News, 1.10 UTV Live Lighthouse News, 1.10 Saturday Sport, 1.20 Movers, Games and Videos, 1.50 Dundrum, 2.30 Dundrum, (1981) 4.55 UTV Live News, 5.00 Saturday Sport, 5.00 UTV Live News.

WEST: 1.05 Westcountry News, 1.10 The Munders Today, 1.25 Wasted: Dead or Alive, 2.05 An Alligator Named Daisy, (1955) 3.45 Baywatch, 4.55 Westcountry News.

WY: 1.05 Wales as Channel 4 except: 7.00 Early Morning, 12.30 Sport Stories, 6.30 Channel 4, 7.00 Newsday, 7.15 Sports, 7.15 O'Mas, 8.00 Tooty Tooty, 8.00 Fry v Farnham.

CHESS
Intel, the computer chip manufacturer, is to sponsor the Professional Chess Association's programme for 1993-5. This will include eliminators for Gary Kasparov's world title and a speed chess Grand Prix. Intel is reported to be investing up to \$7m, (\$4.6m), about \$1m will be for the speed circuit with events in Moscow, London, New York and Paris.

The PCA world championship qualifier opens in Groningen, Netherlands, on 19 December, with 50 grandmasters competing to join Nigel Short in quarter-final matches, which will produce Kasparov's 1995 challenger. Only a handful of top players still refuse to deal with the PCA, which has taken the initiative against the financially strapped official chess governing body, FIDE.

FIDE's own candidates matches start in January, also in the Netherlands. Both PCA and FIDE officials will be hoping for a media-friendly Western contender rather than an ex-Soviet. Kasparov v Short was an ideal pairing. Omnibus, Russian speakers swept the two latest big tournaments, Tilburg and Oviedo. Anatoly Karpov, FIDE's champion, won at Tilburg, clinching the \$25,000 first prize against Ivanchuk by cool, accurate

play in a pawn race to queen. The obvious 1... g2 h7 g1 3 h8g would be hard to win, especially in a speed game with 20 minutes each on the clock, but Karpov (Black) went 1... f7 b4 5 h8g b8+ 6 Kd3 Qe4+ and Ivanchuk resigned. After 7 Kd3 Qe4+ Black forces checkmate with his queen at a2 or c2.

Grandmaster Video's latest release is a two cassette, 145 minute video on the Kasparov-Short match. It includes the best of the live action, analysis by Raymond Keene and Daniel King. The video is available at £19.99 from chess dealers or at £29.99 from GM Video, PO Box 50, Woking, Surrey GU24 7TT (0276-855418).

Leonard Barden

BRIDGE
My hand today, which comes from a rubber, posed problems for the declarer.

N
J 2
6 3
A 9 7 5
K Q 4 3

W
A 8
10 9 8 7
8 6 4
8 6 3

E
10 9 7 4
K Q 5 4 2
2
7 4 2

S
K Q 6 5 3
A J
K Q 10 5
A 10

With both sides vulnerable, South dealt and bid one spade. North replied two clubs and South re-bid three diamonds. When North raised to four diamonds, South checked for ace and bid six diamonds when North showed no ace.

West led the 10 of hearts. South won East's queen with his ace. If the trumps were divided evenly, there was no problem; but if there were four

to knave in one hand, which of the defenders was likely to hold them? South played the diamond king. West produced the eight, the standard false card, suggesting that he could not hold four cards in the suit. South was fooled. He cashed three clubs to discard his losing heart, cashed the ace of diamonds and East showed out - one down.

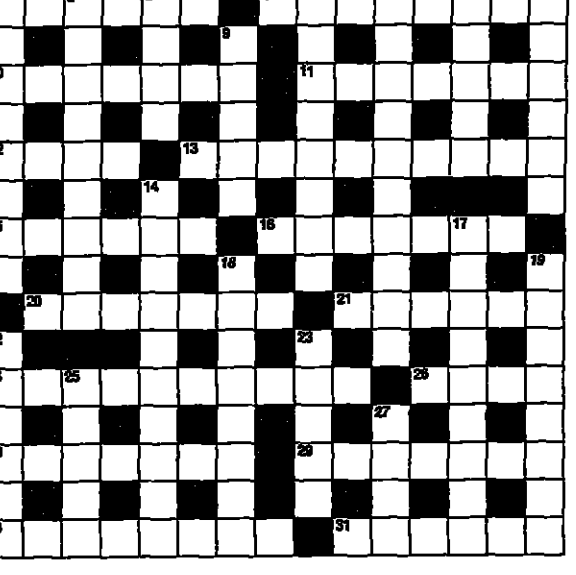
Suppose East has four diamonds to knave. Trumps cannot be drawn until the spade ace is disclosed. Whoever wins the spade lead will lead a heart, forcing a trump from South and preventing him from drawing the trumps without loss. If anyone holds four diamonds, it must be West.

At trick three, ignoring West's false card, we cash the diamond queen and East shows out. We play three top clubs, throwing our heart loser, and follow with the spade knave. West takes and leads a heart. We ruff in hand, pick up the trumps by finesse, and claim.

E.P.C. Cotter

CROSSWORD
No. 8,329 Set by DINMUTZ

A prize of a classic Pelikan Souvenir 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers. Solutions by Tuesday December 21, marked Crossword 8,329 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8UL. Solution on Friday December 24.



Name: _____
Address: _____

ACROSS
1 Sell on foot or cycle, say? (6)
4 Irishman, person in a black hat (8)
10 Butter-pastry in a storm? (7)
11 Crisp and fit after half a day (7)
12 Philanderer would be wiser leaving out this sustenance! (4)
13 Doesn't care about what is inferior (6-4)
15 Countries announced for mountaineering attempts (6)
16 Superiors in caps (7)
20 Lays to rest doctor, in ornamental stone (7)
21 Thin cuts from edge of blade (6)
24 Decaf to settle account with predatory notes (10)
26 State of soldiers in university hospital? (4)
28 In a production of "The King and I", there is divine fooling (7)
29 A dinner-switch in the theatre (7)
30 Spots head in indiscretion (8)

DOWN
1 Traveller comes up with dynamism, of necessity (8)
2 Down of mother-rod (5)
3 Take it easy with the casket (4)
5 Residue of port, finished (8)
6 Stringendo movement of Miller's major piece? (10)
7 Mounded first-class fragment of bone (6)
8 Smoking-jacket? (6)
9 Follow always in ferment (6)
14 Speech in support of last month's award (10)
17 Used car racket, a feature of Camptown (9)
18 Condense an English poet (8)
19 Shop deal turns out to be a bloomer (8)
22 One who draws a carriage? (6)
23 Odd game of cards (5)
25 Those retaining dead buds (5)
27 Killer-whales revealed by navigator, cautiously? (4)

Solution 8,328

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This week I celebrate my birthday. I now realise that I must be getting not just older, but actually old. I know this because it took me a while to work out what age I would become on December 17. I discovered, after much counting of fingers, that I am to be 37. This worried me, because a month or so ago I was rung by a newspaper reporter who asked me how old I was, and I said, after some hasty arithmetic, that I was 37. Only a year out, I know, but there was a time, not so long ago, when I could not have made such a mistake.

The physical signs of ageing bother me not a bit. I enjoy the sight of more and more silver hairs as I study myself in the mirror. I do not mind that I now stand with the middle-aged on the right hand side of London Underground's escalators, while once I joined the whizz-kids running up the left lane. I do not even mind that, with every passing year the wicket keeper for the village cricket team I play for, is moving closer and closer to the stumps as I bowl.

Such physical manifestations of ageing are somehow dignified. As I grow older I want to be taken more seriously, and such infirmities help. But the mental signs of ageing are less pleasing, aesthetically. People who say that they do not

Old and out of touch with Mr Blobby

Dominic Lawson feels the onrush of middle-aged senility as he contemplates the pop charts

know their own age because birth-days no longer matter to them, are deluding themselves. They forget because they are no longer good at remembering things. The reason why I forget my own age is the same reason why I cannot remember the name of someone to whom I have just been introduced. My brain cells are atrophying, just like the muscles in my bowling arm.

We, the senile middle-aged, have, of course, a store of knowledge, which we can plunder, to give the misleading appearance of being alert. What is now, in nostalgic retrospect called "an old fashioned

education" sometimes stands us in good stead, like the hibernating squirrel's store of nuts. But meanwhile the march of popular culture leaves us looking more and more like beached whales.

I experience this most in my discussions with my cartoon editor at *The Spectator*. Gently, like a good boy scout assisting an elderly lady across a busy road, he explains to me all the cartoons I do not understand, pointing out how this one refers to a particularly popular new television programme, or that one is a joke about the latest American film.

A couple of weeks ago he began filling the paper with cartoons of a strange figure, who bore a passing resemblance to the Michaela van. "Who is that?" I asked. "Who is that?" said my cartoon editor. "You're like the judge who had never heard of the Beatles. That is Mr Blobby." "Who is Mr Blobby?" I persisted. "It doesn't matter," sighed my cultural adviser, "but he's massive. He's huge. He's taking over the country."

And he was right. The front page of yesterday's *Daily Mail* consisted of not much more than a picture of "Mr Blobby" at the door of number 10 Downing Street. And I finally discovered who Mr Blobby is. He was described by the *Daily Mail* as "the chart-topper." So that was it. Mr Blobby is to the youth of 1993 what the Beatles were to my generation, and I have indeed become like the famous High Court judge who thought the Beatles were insects.

I suppose I should be worried about my isolation from the biggest influences on the UK's youth. And I suppose I should not express the age-old thought that my popular heroes were giants compared with those of a succeeding generation.

But I will make no protest. The old appear merely petulant when they damn the follies of the young. And I must be careful: I have a daughter, who in less than two weeks will reach her first birthday. I must make it my business not to sneer at Mr Blobby, because he will seem almost sensible compared to the idols of the next generation. Meanwhile I will celebrate my birthday with a much younger person, who is quite happy not knowing how old she is.

■ Dominic Lawson is editor of *The Spectator*

All the same, can Mr Blobby really be as good as Lennon and McCartney? John Lennon scandalised the people of US, when he told them that the group was "more famous than Jesus Christ". I fear that if Mr Blobby were to make a similar boast, he would find many supporters.

What will you regret most - apart from losing your job, I mean? "I'll certainly miss the camaraderie, the sense of being part of a collective - that's very, very important in me life - where one man looks out for another. When you're working underground you're fighting Mother Nature. To do that you've got to be very vigilant."

What have you learned from it?

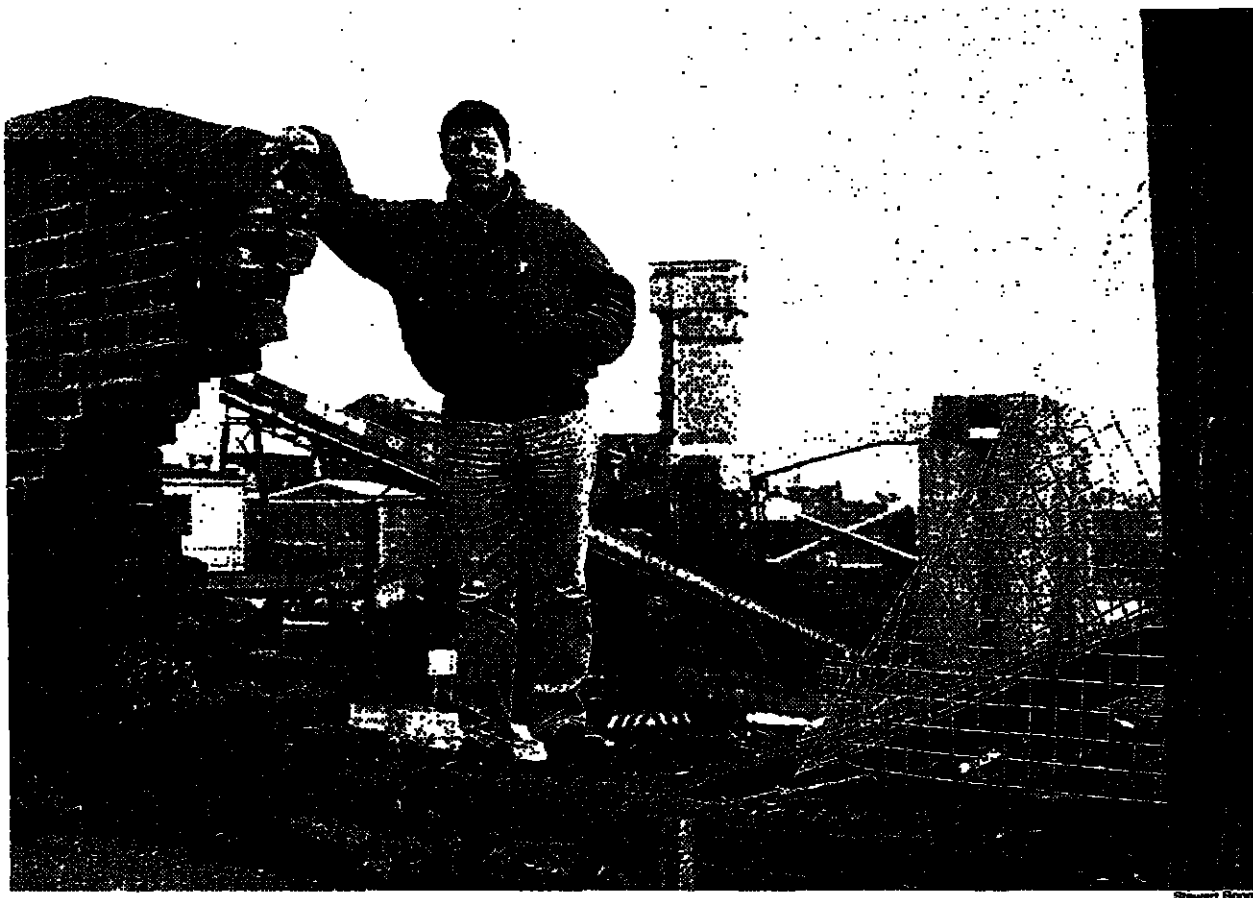
"I think I'm a better person for having worked there and mixing with the lads whom I represent. They've been absolutely tremendous." His eyes were blinking now. "And I would like to think that you know, I've done me best. Warn't always right, but I think I have always done me best to represent the lads."

"And I learnt that from working with them, being honest with them, having arguments with them. Hasn't always been easy. I couldn't wish, I cannot imagine working that length of time anywhere else other than with these. I mean, they've been absolutely brilliant."

"We've lost this battle. This was one of the most important for us. But we'll be back again in some form." He paused a while. "So, yes. Very, very sad."

rapid state of decline." "In some respects, yes. And I mean that with the best respect to everybody who supported us, because we've had tremendous support from across the country. People need to be made aware that it's a high-tech, highly-competitive industry that's been butchered."

But the popular view was often distorted. "Particularly in the south of England they still view coalmining as a little lad of 12 gettin' down the pit with his pony and pushing tubs of coal around. You've got a bit of how-green-was-my-valley attitude. There's a lot of nostalgia about coalminin', more and more now it's in a



Shawn Murray

Private View/ Christian Tyler

The last miner in the county

It will be a black Christmas for some. "The lads finish work at dinner-time," the lodge secretary said, "and we'll be away down the road to the pubs havin' a few pints and reminiscin' about what was and what could have been. Aye, it'll certainly not be any celebration."

That was yesterday, when 650 men took their leave of Wearmouth colliery, Sunderland, one of the oldest pits in Britain and the last in the once-great Durham coalfield.

When Alan Mardghum (pronounced 'Marjam') was born in 1955 there were 700,000 miners working in 850 British coalmines. When he went to work there were still a quarter of a million. Today there are just 16,500. Coal, which fired the Industrial Revolution and powered the British Empire, has become a cottage industry.

In the 14 months since the Government caused a public outcry by announcing that 31 pits were to close, 23,000 men have left the industry. Wearmouth was one of 12 mines reprieved for "market testing"; but like seven others of a dozen so far, and in spite of high productivity on its remaining face seven and a half miles out under the North Sea, it failed the test.

Alan Mardghum is so upset, he cannot admit that it is the end. He clings to the hope that a private buyer will be found for Wearmouth's 140m tonnes of proven reserves, and that one day British mining will be resurrected by a repentant public and government.

As lodge secretary of the miners' union, he has mastered the language of political indignant: he blames government for the lack of a proper energy policy, the "dash for gas", massive subsidies for nuclear power, the electricity link from France, coal imports - all, he said, part of the vendetta against miners and their union.

I take it you're not a Tory voter, I said. "Certainly not," he laughed. "It's not that apparent, is it?" It is apparent enough from the campaign posters and rude cartoons adorning the lodge secretary's office. This is Scargill territory, a left-wing pit

where the men have always responded to the call.

Mardghum, a member of the Labour Party since 23, grew up in the nearby village of Southwick a mile along the bank of the River Wear. He described it as a hard area of high unemployment where children kept time by the hooter of the former Wear Dock shipyard. Southwick is famous: here the late John Adie, the adoptive father of TV reporter Kate, had his chemist's shop - now a grunge fashion boutique.

Alan and his brother were the first miners in the immediate family. Their father worked on the buses. I mentioned all these mothers who for generations had tried to prevent their sons going down the pit. Wasn't it a good thing they did not have to do that any more?

"No, I don't think it's a good

'If there's an upturn we'll have another boom and another slump'

thing. Not for any sentimental reasons... People tend to get a bit misty-eyed about the coal industry. It's a dirty, filthy, horrible job at the end of the day. Nobody who tells the truth would pretend any different. But the way you've got to look at it is: is there an alternative energy source?"

Let us suppose, I said, that the alternative sources are forever cheaper. Is it necessarily a disaster to lose coalmining?

"I think it is. I think the city council would agree with that. I think you'll see a rapid rise in crime, because there isn't any alternative employment."

"You talk about mothers not wanting their son to go down the pit. But I'm certain if they had the choice between the son joyriding stolen cars or burgling people's houses or going down the pit, they would take the opportunity for them to earn a decent wage and be supported by a union that is fighting for decent conditions."

Like other smokestack areas, Wearside presents a surreal picture. Scenes of dereliction where coal, shipbuilding and

heavy engineering once prospered are patched over with new motorways, shopping centres, light industrial parks. In one stands a group of "units" mockingly designed like Greek temples with brick columns and concrete pediments.

There might be new jobs, said Mardghum, but they were too few and too low-paid. He cannot accept that heavy industry is finished. How could an island trading nation not have its own merchant ship-building industry?

There's no God's law which says we have to build our own ships, I said, if we can buy them cheaper from Koreans.

"Well, I think there's a moral argument when they're losing. I think, 100 a year killed in Korean shipyards. There's certainly a moral argument against importing coal that's produced by black slave labour in South Africa or child labour in Colombia."

Mardghum may have more excuse than reason for his gloomy refusal to foresee a decent future for the area. The man himself is excellent: it is the NUM official who is pessimistic.

"If there's an upturn we'll have another boom and another slump. That's the way the capitalist system works. It's always jam tomorrow. They've promised us that for years and years and years. Take less now and you get more tomorrow. It never materialises."

What will you do now? I asked. "The first thing is to get over the shock of losing a job. It's the first time ever I've been unemployed."

For his 17 years work he will collect a redundancy cheque for £25,000. But the chances of a union activist finding work were slim. "So what I'll probably do, what I should have done when I was 17 or 18, is go to university and study for a degree."

"I've thought about social work. Through mixing with lads at the pit I would have an aptitude to do something like working with teenagers with behavioural problems. I'm a bit of a softie, so I don't think I would work with babies or young kids who have been

abused. I don't think I could stand that."

Would you work for a capitalist organisation?

"If you rule out working for a capitalist organisation you'd be on the dole the rest of your life," he laughed. "I've got political principles but I drink scotch and Newcastle beer that make a massive contribution to the Tory Party. I mean, I'm not stupid. I'll be delighted to get a job in whatever."

It could be the last Christmas with money for a long time. "I'll certainly not go crackers with money just because I'll have a few bob in the bank from redundancy payments. We'll spend no more this year than we did last year: you're talking about 1,500 quid, 2,000 quid. That's what we normally spend."

He will improve the council house and buy a better second-hand car, perhaps a Sierra. "If the money's run out and if I haven't got a job, we've got a decent house to live in. So long as it's a roof over your head and its warm and comfortable, it's something."

The Wearmouth pensioners will have their usual Christmas dinner (in summer there is a coach trip to Blackpool or Scarborough). Mardghum hopes the Durham miners' gala, the day of bands and political speeches, will survive into its 110th year.

Do you think Britain is los-

A Christmas stuffing

By Michael Thompson-Noel



Norway's Christmas tree, its annual present to Britain, was switched on this week. In my view, however, the tree in Trafalgar Square does nothing to lessen the infamy which that glum little country attained this year with its decision to renew, unilaterally, the commercial slaughtering of whales in defiance of the international ban on whaling adopted in 1986.

The Norwegians branded themselves as ecological hooligans by harpooning 226 minke whales - 157 commercially and 69 in the name of scientific research. The meat finished up on local fishmongers' slabs where it retailed at about £17 per kilo.

Norway was bombarded by protests. There was talk of US trade sanctions and consumer boycotts of Norwegian exports; calls to travellers to stay away; and reports that German and British companies had cancelled several million dollars' worth of contracts for Norwegian food.

Were the Norwegians stupid? Why had a country of such insignificance and poverty of achievement hurled itself into the furnace of international condemnation for the sake of 226 dead whales? To find out, I visited the Norwegian embassy in London, where I put these questions to Terje Løbach, the embassy's counsellor for fisheries and agriculture.

Løbach is a nice man. He poured me coffee. I was determined not to get bogged down in a sterile discussion of the Norwegians' technical arguments. I wanted to get straight to the blood and

guts - to ask Løbach why the Norwegians seemed incapable of grasping the central tenet of the anti-whaling case: that firing explosive harpoons into the planet's greatest mammals is a crime against life.

First, though, it has to be acknowledged that there are many strands to the Norwegians' case. They maintain that the north-eastern Atlantic minke is plentiful in number (at least 67,000), and certainly not endangered: that traditional Norwegian whaling provides employment and supplements income among coastal

HAWKS & HANDSAWS

communities; and that minke whaling, which yields meat consumed by humans, is essentially different from the industrial, capital-intensive whaling (primarily for whale oil) of former years which drove some whale species pitifully close to the brink.

Moreover, when it comes to killing methods, Norway claims that the majority of whales die "instantly." According to the Norwegians: "During research whaling in 1992, about 50 per cent of the 96 whales shot died instantly... less than 10 per cent lived for more than 10 minutes."

Whales injured by a harpoon must be killed as swiftly as possible by rifle. There are inspectors aboard whaling vessels to ensure compliance with Norwegian law.

But why, I asked Terje Løbach, should Norway bother with all this fiddle-faddle

when the essential question was an emotional one. Why, I wondered, had Norway's prime minister, Gro Harlem Brundtland, impudently claimed that decisions about the use of resources - in this case, the leviathans - could not be based on "sentiment?" Why were the Norwegians so *frigid*?

"Norway has always objected to the ban on whaling," Løbach said calmly, "because there is no scientific evidence that minke whales cannot be managed and harvested in a proper way. It has to do with resource management, especially of fisheries, in which Norway's record is second to none. The 226 minke whales taken this summer represent less than 0.2 per cent of the estimated minke stock in the north-east Atlantic."

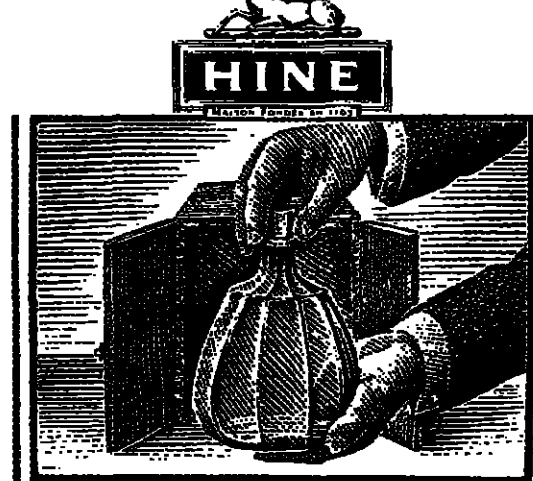
Norway is a very new independent country, and part of the reason for its resumption of traditional whaling is that Norwegians don't want to be told by outsiders what to do with their own natural resources. In polls the Norwegian government has the backing of 70 to 80 per cent of the 4.2m population.

"Norwegians can appreciate the sentimental objection to killing *lambs*, but we still have to take their lives for food."

"Not with explosive harpoons," I countered. "Even in Britain," said Løbach, "methods of slaughtering livestock for the table leave much to be desired. In Norway, whalemeat is described as 'the greenest of all meats,' because of the scientific way in which it is harvested."

I admit it: my opposition to whaling is "emotional" and "sentimental." But I would rather be thought emotional than mistaken for a Norwegian. They can stuff their Christmas tree.

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